Austria	Sch24	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.750	Iran	Rls215	Philippines	Peso40
Belgium	BFr55	Israel	Shk3.50	Poland	Zl 9,000
Cyprus	C£0.90	Italy	L2000	Portugal	Esc165
Denmark	DKr12.00	Jordan	Fils1000	Qatar	QR9.00
Egypt	E£2.25	Kuwait	Fils.600	S.Arabia	SR7.00
Finland	FM8.50	Lebanon	[illegible]	Singapore	S$4.10
France	FFr7.50	Lux	LFr55	Spain	Pta165
Germany	DM2.80	Malaysia	M$4.25	Sweden	SKr12
Greece	Dr180	Morocco	[illegible]	Switz	SFr2.60
Hong Kong	HK$12	Neth	Fl 3.25	Thailand	[illegible]
Hungary	Ft107	Nigeria	Naira10	Tunisia	Din0.800
Iceland	[illegible]	Norway	NKr12.00	Turkey	L2000
India	Rs15	Oman	OR1	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

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ΦD 8523A

NORTH-EAST ASIA
Thaw reaches cold war's final frontier
Page 16

World News

President of Liberia says he will resign as rebels near

President Samuel Doe of Liberia agreed, in principle, to resign, as rebels attacking the capital Monrovia were fighting troops in the city's eastern and western suburbs. Page 6

Gulf peace hope

The foreign ministers of Iran and Iraq spoke directly to each other for the first time since the ceasefire in the Gulf War, raising hopes that their two countries will shortly resume talks on a peace settlement. Page 6

1,400 pilgrims killed

A total of 1,426 pilgrims died during Monday's stampede in a tunnel near the Moslem holy city of Mecca, Saudi Arabia's Interior Minister Prince Nayef Ibn Abdulaziz said. Page 6

Marcos ban to stay

President Corazon Aquino, citing security reasons, refused to lift a ban on Imelda Marcos returning home, despite the former first lady's acquittal in New York on racketeering charges. Page 6

Korean advance

North and South Korea resumed talks after a five-month suspension and achieved a breakthrough in arranging an unprecedented meeting between the prime ministers of the two countries. Page 18

Obstacle to aid

Japan said it would not give economic aid to the Soviet Union until Moscow returned the Kuriles, four islands off northern Japan that were seized in 1945, but diplomats said Tokyo could be obliged to take part in any package agreed upon by next week's Houston summit meeting.

Chernobyl hero dies

Anatoly Grishchenko, the Soviet helicopter pilot who helped contain the Chernobyl nuclear disaster in 1986 by dumping sand over the smouldering reacter, died in a Seattle hospital after developing a serious lung infection.

German poll date

The East German coalition has agreed that all-German elections should take place on December 2, the date originally planned for West German elections. Page 3

Diplomatic deal

China and Indonesia agreed to restore relations on August 8, ending a break of 23 years and providing a diplomatic triumph for Peking. Page 6

France joins talks

France said it would for the first time attend talks on curbing the spread of nuclear weapons. Page 2

Envoy resigns

Israel's ambassador to Egypt, one of the country's most important diplomats, resigned, citing differences with Mr Yitzhak Shamir's right-wing coalition government. Page 6

Multi-party Angola

Hopes for a settlement in Angola's 15-year civil war rose as the central committee of the ruling MPLA announced that the Government would "evolve towards a multi-party system." Page 6

Miners' victory

Ministers caved in to the demands of a group of striking coal miners, in the first test of the new Hungarian Government's resolve to face up to industrial lobbies. Page 2

Mandela rebuked

Nelson Mandela, deputy president of the African National Congress, was sharply rebuked at the start of a two-day visit to Britain for his advocacy of talks between the British Government and the rebel Irish Republican Army. Page 6

Business Summary

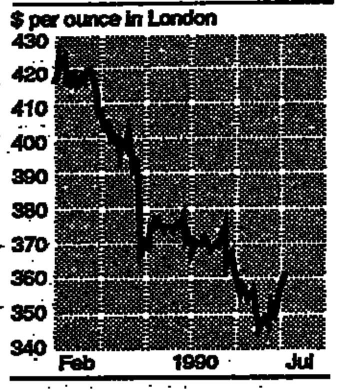
Chemical companies accuse EC of 'hostility'

LEADING biotechnology companies have accused the European Community of "political hostility" and of driving commercial investment out of the EC towards the US and Japan. Page 18

MARKETS: Gold moved above $360 a troy ounce on the London bullion market. Spot gold closed at $361.50, up $4 an ounce. The rise follows Monday's $4.75 advance and the price has now risen by $11.75 in a week. Page 30. Tokyo: the Nikkei average closed with a gain of 254.37 to the day's high of 32,414.60. Back Page, Section II

Gold price

$ per ounce in London



ICI, Imperial Chemical Industries, Britain's biggest manufacturer, unveiled a £450m international plan aimed at expanding its business in acrylics plastics. Page 18

SIEMENS, West German electrical and electronics group, is expected to replace Horst Nasko as the chief executive of Nixdorf, the loss-making computer company it is acquiring, with one of its own managers, Hans Dieter Wiedig. Page 19

GEC, General Electric Company of the UK, announced pre-tax profits for the year to 31 March of £872m on turnover of £8.79bn. Page 19

UACC, Ugland Aal Car Carriers, a joint venture shipping company partly owned by one of the oldest Norwegian shipping families, has been sold to Nippon Yusen, Japan's biggest shipping company, for about $170m. Page 20

APRICOT Computers, UK-based personal computer manufacturer bought three months ago by Mitsubishi Electric, is to become the Japanese company's centre for the desktop computers. Page 18

CAP GEMINI Sogeti (CGS), French computer systems group, is in the early stages of planning a big reorganisation of its management structures across Europe. Page 22

SPANISH industry minister Claudio Aranzadi is to hold talks with the Bonn Government in an effort to salvage the acquisition of Enasa, Spain's biggest truck producer, by Daimler-Benz and MAN. Page 19

ARGENTINA'S planned privatisation of Aerolineas Argentinas, its national airline, has been thrown into confusion with the withdrawal the Italian carrier company Alitalia. Page 22

CHILE plans to boost the value of exports over the next five years from the equivalent of 30 per cent of GDP to 35 per cent. Page 4

NORWAY and the US have become embroiled in a trade dispute which has prompted the US to levy a countervailing duty on imports of Norwegian farmed salmon which the US alleges is subsidised in violation of Gatt. Page 4

AMB, Aachener und Münchener Beteiligung, West German insurer, is raising $266.8m through a rights issue which likely to be taken up entirely by Fondiaria, the Italian insurer. Page 20

Gorbachev plans under threat as hardliners hijack party congress

By Quentin Peel in Moscow

PRESIDENT Mikhail Gorbachev was forced last night to use all his personal authority to prevent a serious defeat at the Soviet Communist Party congress, after a string of setbacks at the hands of disgruntled delegates.

His intervention to take direct control of the crucial commission drafting new party rules came after a day in which the gaping divisions in the Soviet party leadership were exposed, and the danger of open rebellion from conservatives and radicals reinforced.

The first assault came from Mr Yegor Ligachev, the leading conservative in the ruling Politburo, who denounced any suggestion of private property in the party platform. Mr Ligachev was then elected by the congress as chairman of its agriculture commission, against the man backed by Mr Gorbachev.

An emotional defence of perestroika both at home and abroad by Mr Eduard Shevardnadze, the Foreign Minister and one of the Soviet leader's closest allies, brought far less enthusiasm from the floor.

Then the congress delivered a resounding defeat for any mention of a "market economy" being used in the instructions for the party's economic commission, with barely one-fifth of the delegates voting in favour.

The setbacks for the Soviet leader, who opened the congress with a fierce defence of his plans for a market economy, came as negotiations for an alliance between the centre and democratic left of the party were stepped up, in a bid to isolate the conservative majority.

He was forced to take the chair of the meeting after a stormy session saw a series of proposals from the platform defeated. When it became clear that his candidate to head the vital rules commission – the body which must design the entire overhaul of the ailing party structure – would be defeated, he put himself forward for the job. Even then, more than 1,000 delegates dared to vote against him.

The series of revolts began when Mr Ligachev took the podium to defend his conservative stance, both on his agriculture portfolio in the party, and in defending Marxist-Leninist orthodoxy.

He condemned a planned reform to include "earned private property" in the party platform, saying the distinction was semantic and private property divisive. Selling off public property was no way to "fulfil the potential of socialism," he said.

He rounded on a statement by Mr Alexander Yakovlev, the most ardent reformer in the Politburo, that the path of "drastic transformation" of Soviet society would continue "I think that perestroika without the party is a hopeless matter," he said, sitting down to an ovation far greater than that given to Mr Gorbachev himself the day before.

The real defeats for the Soviet leader, however, only took place late in the day. When it came to the election of the agriculture commission chairman, Mr Ligachev, who has resolutely defended the creaking collective and state farm system, was proposed from the floor and elected with 2,233 votes against 1,968 for Mr Gorbachev's man.

Another crucial defeat was over the title of the economic commission. The platform proposal to call it the commission "on the transition to a market economy" was defeated, to strong applause.

The commission will now be "on the policy of the Communist Party in carrying out economic reform and in passing urgent measures to stabilise the situation in the country." It will be headed by Mr Nikolai Ryzhkov, the prime minister, whose ideas on economic reform are far more cautious than those of Mr Gorbachev.

Gorbachev upstaged, page 3

Eduard Shevardnadze, Soviet Foreign Minister, puts up an emotional defence of perestroika

Gunfire in Albanian capital as hundreds seek refuge

By Judy Dempsey in London

HUNDREDS of Albanians yesterday stormed into western embassies in the capital, Tirana, seeking an escape to the west and presenting eastern Europe's last bastion of orthodox communism with its greatest challenge to date.

Some climbed walls and many others packed into trucks that crashed through fences of embassies, including those of West Germany and Italy amid a hail of police gunfire, according to several diplomatic sources.

Last night, in an apparent attempt to ease the tension, Albania said that people sheltering in the embassies would be given passports to leave the country and their safety guaranteed, according to the Hungarian state news agency.

The agency said the Albanian Foreign Ministry had asked officials of Italy, Greece and Hungary to tell refugees in their missions that Albania would honour a recent travel law giving adult citizens the right to passports and to re-enter the country.

The move, which was not confirmed by other diplomatic missions in Tirana, followed tense negotiations between western embassies and the Albanian government.

Mr Hanns Schumacher, a spokesman for the West German government said yesterday that 83 people had fled into Bonn's embassy in Tirana. One person was wounded as Albanian guards fired on those trying to enter the compound.

In the past 48 hours, said Mr Schumacher a further 60 to 80 had taken refuge in the embassies of France, Italy, Greece, East Germany and China.

In Bonn the Albanian ambassador was summoned to hear a formal protest about "this brutal behaviour". Mr Schumacher said: "Nobody will be expelled from the embassy against their will."

The Greek ambassador in the capital said that at least four people had been wounded in the firing.

Reporters in Tirana last night said that troops patrolled the streets and all government appointments had been cancelled

These incidents in a country in which any form of dissent is quickly quashed, apparently began last Sunday following demonstrations met with force by authorities.

Background, Page 3

Brussels seeks a greater role in German takeovers

By Lucy Kellaway in Brussels

SIR LEON BRITTAN, the EC Competition Commissioner, has written to the East German Government expressing concern at the recent spate of takeovers by West German companies of their East German counterparts, and has asked for a greater role for the Commission in any future deals.

Sir Leon's intervention is sensitive since the Commission has no direct power to enforce competition rules in East Germany until full political unification takes place.

His letter betrays increasing alarm within the Commission that West German companies are being allowed to clean up in East Germany, in many cases strengthening what is an already dominant position in the western half of the country.

In a letter addressed to Mr Gerhard Pohl, the East German economics minister, he singled out the move announced last week by Allianz, West Germany's biggest insurance company, to take control of East Germany's state insurance business. He expressed his frustration that he had only found out about the deal by reading the newspapers, and put in a request for the Commission to be told in advance of any new deals.

The Commission said yesterday that it was also unhappy about Monday's purchase by Ruhrgas, West Germany's powerful gas distributer, of 35 per cent of the East German gas network.

In this case – unlike most of the others – there were other European gas companies known to have been interested in the deal, and some suggestion that the West German company was given priority. This deal is particularly worrying to the Commission in the light of its attempts to introduce competition into the European gas market.

Sir Leon also questioned the competitive impact of the proposed takeover by three German electricity utilities of the East German electricity industry. This deal has also fallen foul of the West German Federal Cartel Office, which has given its consent to most of the other deals questioned by the Commission.

All three takeovers are being looked at by the Commission's competition experts, even though it is not yet clear whether it is legally allowed to investigate formally, nor what

Continued on Page 18

Bonn sees borrowing restrained by growth

By David Marsh in Bonn

WEST GERMANY expects central government borrowing to fall to roughly one-third of 1990-91 levels by 1994 as a result of buoyant economic growth spurred by German unity, Mr Theo Waigel, Finance Minister, said yesterday.

Presenting 1991 budget plans approved by the Bonn cabinet, Mr Waigel said West Germany's central government net borrowing requirement was likely to rise slightly to DM31.3bn ($18.6bn) next year from the anticipated DM31.0bn in 1990. Thereafter it would decline to DM24.0bn in 1992 and DM11.6bn in 1994, assuming steady real economic growth of 2.5 per cent in West Germany over the period.

Mr Waigel gave a cheerful assessment of this week's reaction on foreign exchange and capital markets to German economic and monetary union on Sunday. Next year's budget was "a positive signal for the people and the financial markets," he said.

The budget forecasts a 3.9 per cent increase in central government spending to DM324bn. The expansion has been trimmed from this year's 7.6 per cent rise. Thereafter, Mr Waigel wants to hold down yearly spending increases to 3 per cent, below annual anticipated nominal gross national product growth of 4.5 per cent.

The Government is trimming defence spending to DM52.6bn next year from DM53.7bn in 1990, a 2 per cent cut, although the Free Democrat members of the coalition are holding out for larger reductions.

Elsewhere the biggest changes concern spending on the environment – up 21 per

Continued on Page 18

Fiat may take 10% stake in GE jet engine development

By Paul Betts, Aerospace Correspondent, in London

FIAT of Italy is planning to become a risk sharing partner in the $2bn development programme of the world's largest commercial jet engine by General Electric of the US.

The Italian car group is understood to be considering investing in a 10 per cent stake in the GE90 engine programme, replacing the West German Motoren-und Turbinen-Union (MTU) aero-engine company which recently switched its allegiances from GE to its US rival Pratt & Whitney.

MTU's decision provoked an angry reaction from GE with a subsequent out of court settlement between the US and West German companies.

Fiat would join Snecma, the French state-owned aero engine company, as a risk sharing partner in the GE90 which is being developed to power Boeing's new 767-X twin engine wide body aircraft and other future widebody aircraft.

Fiat has indicated it is interested in developing its presence in the engine sector of the growing commercial aerospace industry. A 10 per cent stake would represent an investment of some $200m in the GE90 development programme.

GE said that it had signed a formal agreement with Snecma with the French company taking a 25 per cent share in the development and production of the new 123-inch fan engine. GE has had a long association with Snecma with the two companies co-operating on several civil engine programmes since 1969.

Mr Brian Rowe, the senior vice president of GE's aircraft engine subsidiary, confirmed that the US company was holding discussions with other international companies interested in joining the GE90 programme.

Apart from Fiat, the Japanese Ishikawajima Harima Heavy Industries engine group is also understood to be negotiating a stake of around 5 per cent in the development programme.

The GE90 is designed to provide 75,000 to 95,000 lbs of thrust to power the new Boeing 767-X widebody which, if launched by Boeing later this year, is expected to enter commercial service in 1995.

Boeing is currently negotiating with a number of airlines to secure the initial orders to launch the $5bn aircraft programme.

Among potential launch customers of the 767-X are American Airlines, United Airlines and Delta. British Airways is also believed to be interested to replace its older DC-10s and Lockheed Tristars.

The three leading engine manufacturers including GE and Pratt & Whitney in the US and Rolls-Royce in the UK have been engaged in a fierce battle to win the first orders on the new Boeing 767-X aircraft.

Rolls-Royce is competing with its big thrust Trent engine, while Pratt & Whitney is offering a more powerful version of its PW4000 engine.

The three major aero-engine companies have also sought to find international partners to spread the financial risks of developing new big thrust commercial engines.

CONTENTS

Complicated Marcos trial 'misguided and bungled'

From the outset, the US Government faced an improbable battle pursuing Mrs Marcos, left, through the American legal system. The biggest problem for prosecutors was a lack of hard evidence Page 6

MARKETS

STERLING
New York close
$1.78 (1.777)
London:
$1.7795 (1.7635)
DM2.9375 (2.925)
FFr9.8625 (9.81)
SFr2.48 (2.475)
Y269.0 (266.75)
£ index 92.3 (91.7)

GOLD
New York: Comex Aug
$364.7 (360.8)
London:
$361.5 (357.5)

N SEA OIL (Argus)
Brent 15-day Aug
$16.025 (15.875)

Chief price changes yesterday: Page 19

DOLLAR
New York close
DM1.6505 (1.6505)
FFr5.5415 (5.54125)
SFr1.393 (1.3950)
Y151.15 (150.82)
London:
DM1.651 (1.658)
FFr5.5425 (5.5625)
SFr1.393 (1.4035)
Y151.15 (151.25)
$ index 66.4 (same)
Tokyo close: Y151.68

US closing rates
Fed Funds $8\frac{5}{16}$%($8\frac{1}{4}$)
3-mo Treasury Bills:
yield: 7.951% (7.966)
Long Bond:
$103\frac{3}{4}$ ($103\frac{13}{16}$)
yield: 8.398% (8.393)

STOCK INDICES
FT-SE 100:
2,371.7 (-0.3)
FT Ordinary:
1,894.7 (-1.9)
FT-A All-Share:
1,169.35 (-0.1%)
New York close
DJ Ind. Av.
2,913.12 (+13.86)
S&P Comp
360.47 (+0.93)
Tokyo: Nikkei
32,414.60 (+254.37)

LONDON MONEY
3-month interbank:
closing $14\frac{23}{32}$ (same)
Life long gilt future:
Sep $84\frac{2}{16}$ ($85\frac{3}{8}$)

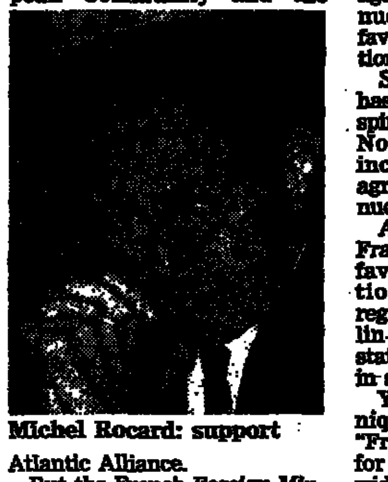
EUROPEAN NEWS

French observer to attend nuclear treaty conference

By Ian Davidson in Paris

THE French Government is to send an observer to the nuclear Non-Proliferation Treaty review conference, which starts next month in Geneva.

France is not a signatory of the NPT, and some observers see the move as a clear signal of the French socialist Government's general support for arms control and its desire for closer rapprochement with its strategic partners in the European Community and the Atlantic Alliance.



Michel Rocard: support

But the French Foreign Ministry played down the significance of yesterday's decision, pointing out that most of the non-signatory states, including China, will also be sending observers to the review conference.

At the Prime Minister's office, however, officials claim that the move is partly the result of the personal intervention of Mr Michel Rocard, who has believed at least since 1985 that France ought to join the Treaty, which tightly restricts the spread of military nuclear technology.

President de Gaulle originally refused to join the NPT, when it was open for signature in 1968, as part of his campaign against the dominance of the nuclear super-powers and in favour of the national aspirations of Third World countries.

Since then, however, France has increasingly adhered to the spirit and the practice of the Non-Proliferation Treaty, including the 1977 London agreements on the control of nuclear technology exports.

As a matter of principle, France is now unequivocally in favour of a strong international anti-proliferation regime. At last week's EC Dublin Summit the 12 heads of state issued a strong statement in support of non-proliferation.

Yesterday's French communique reiterated the point: "France will continue to work for the establishment of the widest possible consensus, in favour of an equitable and stable regime of non-proliferation, based on an essential balance between non-proliferation of nuclear weapons and the development of civil nuclear applications."

Hungarian press sell-off row

By Nicholas Denton in Budapest

A HUNGARIAN parliamentary committee yesterday threw the privatisation of the country's press into confusion when it launched a report which is deeply suspicious of the already-extensive foreign investment in the sector.

The report notes that foreign investors, primarily Mr Robert Maxwell, Mr Rupert Murdoch and Mr Axel Springer, took over Hungarian papers in a legal and administrative vacuum, in which properties were under-valued or simply expropriated.

One of the "huge dangers" in this is that foreign partners, the only ones with sufficient resources, tend inexorably to increase their stake beyond what was initially accepted, the report says.

"All foreign capital strives for exclusive control," it says, adding: "In the long run, it strives towards monopoly."

The parliamentary committee, dominated by the ruling conservative coalition, calls on the government to take control of media privatisation. Up to now, the process has generally been initiated by managers and editors, whose motivations the committee distrusts. To stop similar occurrences in future, the government should sack some of them, the document says.

Antall: has his preferences

Its rhetoric prompted Mr Miklos Haraszti, opposition representative on the committee, to talk of "a general attack on foreign press capital". But the government response is likely to concentrate on deterring unsuitable investors in particular rather than foreign companies as a whole.

The investigation into media sell-offs arose out of the controversial takeover in April by Mr Springer of the regional newspapers of the Hungarian Socialist Party, the former ruling party. But the inquiry has expanded to cover all the media and its recommendations are unexpectedly far-reaching.

Its conclusions have given substance to opposition fears that the Hungarian Democratic Forum, the leading party of the conservative government, is trying to control and tame the press. Mr Haraszti said the majority report was "frightening and intended to be frightening". Last month, the government halted the planned sale of Magyar Nemzet, a leading daily newspaper, to the Swedish Dagens Nyheter, which party leaders had accused of being hostile to the Forum.

An official close to the Prime Minister, Mr Jozsef Antall, admitted that the government preferred Hersant, publishers of France's Le Figaro.

Miners win the first industrial showdown

By Nicholas Denton

MINISTERS yesterday caved in to the demands of a group of striking coal miners, in the first test of the new Hungarian government's resolve to face down industrial lobbies.

Workers at the Markusegy colliery in northern Hungary, which employs 3,000, began their strike on Monday insisting on a purge of communist-appointed managers, improvements in pay and retirement terms and the sending home of Polish guest workers.

The government has swiftly agreed to allow pensionable retirement after 25 years and to go some way towards meeting the miners' 50 per cent pay claim. It has made concessions on most of the remainder of the workers' 16 demands.

The alacrity with which the government began negotiations, on a ministerial level, points to nervousness that it will face a wave of strikes. The authorities are determined to handle industrial relations more sensitively than their communist predecessors.

But in giving even the appearance of concessions, the new government is bound to encourage high pay claims at a time when it is struggling with an inflation rate heading over 30 per cent.

Brussels plan to set up £7bn safety net for E Europe

By David Buchan in Brussels

The west should give east European countries an Ecu10bn (£7bn) safety net to encourage them on to the high wire of radical reform, according to a controversial European Commission plan.

The plan will form the centrepiece of the Commission's proposals to ministers of the Group of 24 countries meeting here today to review and extend their aid effort to eastern Europe.

The "G-24 reserve facility", which has been aired publicly in recent weeks by Mr Frans Andriessen, the EC external affairs commissioner and chief co-ordinator of G-24 programmes, has already drawn some criticism from the UK and, outside the Community, from the US.

For all his pro-EC sentiments, Mr James Baker, the US Secretary of State, is likely to be cool towards the plan today. US and UK officials see no reason not to use International Monetary Fund money, as well as IMF conditions, in eastern Europe.

However, the plan now has backing from the Commission as a whole and has taken on a new relevance in the controversial debate over aid for the Soviet Union. EC officials say that underpinning eastern Europe financially will help that region to start paying for Soviet energy and raw materials in hard currency from next January, as agreed within Comecon. Today's meeting will formally extend G-24 aid to eastern Europe beyond Poland and Hungary.

The EC executive has arrived at the Ecu10bn by totting up the aid demands it has received as G-24 co-ordinator – including an Ecu2-3bn standby facility request from Czechoslovakia, a request from Yugoslavia for $1bn, and substantial aid for Bulgaria – and by adding in existing commitments to Warsaw and Budapest.

Brussels' idea is that, instead of responding ad hoc to individual countries' requests, the G-24 might set up a general fund on which east European countries could draw, provided that they respect democracy and economic conditions from the International Monetary Fund; Czechoslovakia and Bulgaria are expected in the IMF soon.

Both the European Commission and Soviet diplomats in Brussels yesterday endorsed the idea of a Europe-wide energy community in which EC companies would help the Soviet Union exploit its oil and gas resources, David Buchan writes.

Mr Frans Andriessen, the EC External Affairs Commissioner, said that "given the immense dimension of the problem [of helping the Soviet Union], we have to do it on an economical basis", such as that suggested by Prime Minister Rund Lubbers of the Netherlands at the recent Dublin summit.

Pointing to the G-24's $1bn stabilisation fund for Poland, which is still lying untouched in the New York Federal Reserve, the Commission claims that reserve facility's "significance would lie as much as in its existence as in its actual use".

A prime motive behind the Commission plan is to prevent east Europe's trade with Moscow contracting quicker than its markets in the west can expand.

But there are some indications that new trade concessions are being abused. For instance, Poland, a country which has been getting substantial food aid, has been selling dairy products in the EC at prices which Brussels claims are below those set out in the Gatt dairy agreement. None the less, the Commission will propose that the 12 EC states relax quotas.

Eastern Europe is receiving "considerable added value" by the G-24 countries acting together, the Commission claims. Certainly, the G-24 countries have usefully targeted the Ecu11bn they have poured into Poland and Hungary on five common priorities – improved access to western markets, food supply, training, environmental protection and economic restructuring. But much of the money has been spent in small amounts, with very few projects jointly financed or run; the environmental centre in Budapest is an exception that has got wide G-24 support.

To remedy this, Brussels is now inviting the non-EC members of the G-24 to send representatives to join the Commission's task force on eastern Europe. Its hope is that by giving all G-24 members part of the co-ordinating job, petty nationalist rivalries will be subsumed in the greater cause of helping the east.

Czechoslovakia to introduce sweeping economic reforms

By John Lloyd

THE new Czechoslovak government will introduce sweeping market reforms in its two-year term of office, Mr Marian Calfa, the Prime Minister, said yesterday.

He added, however, that these reforms would be accompanied by a strong safety net. "The Government does not promise castles in the air, nor does it promise blood, sweat and tears only," he said.

He said prices of some 30,000 items, including some basic foods, will rise next week by an average of 25 per cent. All citizens will receive a 140 crown (about $16) raise to compensate for the rises.

Mr Calfa said that the country had no time to lose if it wanted to become a modern democracy with a flourishing market-based economy.

However, the leading advocate of rapid reform – Mr Vaclav Klaus, the Finance Minister – is under pressure from the president and from Civic Forum, the movement of which he is a member and which won the polls last month.

President Vaclav Havel recently warned economic reformers they must not cause too large economic dislocation or hardship, and that he would not accept the excuse that this was impossible. Mr Klaus has frequently said it is impossible.

A meeting of Civic Forum at the weekend heard criticism of Mr Klaus for his abrasive relations with other ministers.

The meeting also criticised some deputies for not objecting to the appointment of former Communist officials to senior posts in the new government. The independent daily Lidove Noviny wrote on Monday that Mr Calfa, a former minister in the Communist government, could be weakened because of his previous affiliation.

Study rules out social dumping

By Lucy Kellaway in Brussels

RICHER European Community countries need not fear that industries will shift production to parts of the Community where wages are lower after 1992, according to a detailed study to be published today by the European Commission.

The report shows that there is almost no difference between unit wage costs in the 12 countries, as lower wages are matched by lower productivity. It says there will be no incentive for producers to move from high to low wage areas – a process known as "social dumping".

It also predicts that employment in the Community will continue to grow, although at a slightly lower rate than over the last four years, when 7m new jobs were created. It forecasts an extra 1.5m jobs this year and 1m in 1991.

However, it paints a grim picture of prospects for the long-term unemployed, and shows that women are still being discriminated against in most member states.

Women in manual jobs earn 25 per cent less an hour than men on average in member states, the report says, and notes that the gap is particularly wide in the UK, where women earn less than 70 per cent of the male rate.

The long-term unemployed amount to 5 per cent of the EC workforce and are growing steadily.

Hungarians form more joint ventures

THE NUMBER OF joint ventures between local and foreign companies in Hungary has jumped more than sixfold in the past year, official figures showed yesterday, Reuter reports from Budapest.

The Ministry of International Economic Relations said there were now an estimated 1,800 of such joint venture companies in Hungary compared with 280 at the end of June 1989.

Three hundred of them registered in June alone, the month after Hungary's first post-Communist government took office.

They involve interests from 40 countries, including all the 24 industrialised nations in the Organisation for Economic Co-operation and Development. Three hundred involve West German capital and 300 Austrian funding.

Foreign working capital is estimated at $700m up from $150m a year ago.

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Baltic leaders to co-ordinate talks with the Kremlin

MRS Kazimiera Prunskiene, Prime Minister of Lithuania, says leaders of the three Baltic republics will meet next week to devise a strategy for independence talks with the Kremlin, AP reports from Moscow.

Mrs Prunskiene, who returned from a visit to Finland and Estonia last night, said she wanted all three Baltic states to be involved in negotiations with the Kremlin but that the Moscow leadership was opposed to the idea.

The official Tass news agency quoted her as saying at a news conference in the Lithuanian capital of Vilnius that Lithuania, Estonia and Latvia would work together on Lithuania's approach to negotiations with the Kremlin.

The 16-week confrontation appears to have settled few issues and left the Baltic republic still with a steep hill to climb to gain independence. Both sides have been able to prove some important points, notably that neither was able to impose its will on the other.

Meanwhile, Soviet Premier Nikolai Ryzhkov said the initial phase of the independence talks would be the most difficult as Lithuania offers its ideas about its future course.

"If the republic remains a part of the USSR with some special status, this will call for one scenario," he said. "If they categorically insist on seceding from the USSR, negotiations will have a completely different scenario."

Ryzhkov also told the unofficial Interfax news agency that talks on Lithuania should be conducted at the level of prime minister.

But he said "unfortunately, we have received no answer yet from the Lithuanian leaders as to who will negotiate with Soviet officials, on the level of prime minister or otherwise."

The Soviet Government, responding to Lithuania's agreement to a moratorium on its declaration of independence, resumed pumping oil to Lithuania's largest refinery at Mazhiekia on Saturday.

Gasoline is going mainly to agricultural concerns, said Haris Subacius, a spokesman for the Supreme Council legislature.

"The blockade is being lifted, but we cannot feel it yet," Subacius said. He said it would probably be two or three weeks before the situation was normal.

The Soviet Government cut off shipment of all oil, most natural gas and numerous other items to Lithuania on April 18 in an attempt to force it to rescind its March 11 declaration of independence.

On Friday, the Lithuanian parliament accepted a compromise that traded a 100-day moratorium on the independence decree for an immediate end to the blockade and the start of negotiations.

Subacius said the negotiations between Vilnius and Moscow could begin within two weeks.

Ex-KGB agent says most secrets are already in the west

THE KGB has little left to hide, a former spy said on Tuesday, since most of its secrets had been taken abroad by a score of defectors since 1980, Reuter reports from Moscow.

Oleg Kalugin, branded a traitor and stripped of his medals by President Mikhail Gorbachev, said the KGB security agency had no moles – undercover operatives – in its US equivalent, the Central Intelligence Agency (CIA), in the seven years he ran counter-espionage operations abroad.

His latest broadside against his former employers was published in the daily Komsomolskaya Pravda, which last month printed revelations that brought down the wrath of Soviet officialdom.

"From 1960 to 1980 three KGB officers defected to the West," Kalugin wrote. "And since 1980, about 20 people betrayed the country – the latest defector went to Belgium this spring.

"So we can speak not about a leak of information but about the transfer and sale to the west of the majority of secrets of Soviet intelligence, about the complete collapse of a huge number of spy networks. But all this is hidden from the public."

Komsomolskaya Pravda also published a request for a parliamentary investigation of Kalugin's expose of the KGB.

Berlin agrees to all-German elections on December 2

By David Goodhart in Bonn

THE East German coalition has agreed that all-German elections should take place on December 2, the date originally planned for West German elections, and that elections for the five re-emerging East German Länder (states) should take place on October 14.

The choice of December 2 was welcomed by Bonn and now seems virtually certain to be the date. The preference in Bonn and East Berlin is for full political unity of the two Germanys to come just before the election.

The Soviet Union continues to feel uneasy about being placed under such time pressure but Chancellor Helmut Kohl will be visiting Moscow on July 15 and 16 to add more sugar to the pill of East German entry into Nato. Significantly, he is being accompanied by Mr Theo Waigel, Finance Minister, as well as Mr Hans-Dietrich Genscher, Foreign Minister, and West German financial assistance for the Soviet Union is sure to be high on the agenda.

Preparatory talks have meanwhile begun on a second State Treaty between the two Germanys to follow up the first treaty, which dealt primarily with the legal background to economic and currency union. In the second treaty broader political issues such as changes to the West German constitution, property ownership and the future size of the East German armed forces will be addressed.

The question of Berlin as future capital of a united Germany may also be addressed, although possibly in an appendix to the treaty. Although poll evidence suggests enthusiasm for Berlin is waning, a growing number of political leaders – including President Richard von Weizsäcker, former Chancellor Willy Brandt, and SPD leader Hans-Jochen Vogel – have spoken out for Berlin.

Yesterday it was announced that Daimler-Benz would be allowed to buy a large site in Potsdamer Platz, in the heart of Berlin, an issue that had threatened the Red-Green political coalition in West Berlin.

● The Christian Social Union, the Bavarian sister party to Bonn's ruling Christian Democrats, said yesterday it would stand by its new partner in East Germany, the German Social Union (DSU), which has been accused of lurching to the far right. The DSU's two most prominent members, Mr Peter Diestel, East German Interior Minister, and Mr Hans-Wilhelm Ebeling, DSU founder and Development Aid Minister, have both left the party complaining about a rightward shift and contacts with the West German Republicans.

Albania's communists on the slippery slope

Alia will remember E Germany as he tries to resolve refugee crisis, writes **Judy Dempsey**

THE RULING Albanian Workers' Party is facing one of the most serious challenges to its authority with the attempt by more than 100 Albanians to emigrate by forcing their way into western embassies in Tirana.

But the party is also facing a dilemma which may only be resolved on the streets.

Mr Ramiz Alia, the leader of the AWP, watched how ruling communist parties across eastern Europe tumbled last autumn after thousands of East Germans were allowed to leave when they sought refuge in the West German embassies in Budapest and Prague. He must now avoid the same fate as he embarks on a cautious road towards reform.

If the reforms promised last May by Mr Alia and his Prime Minister, Mr Adil Carcani, are implemented, then the leadership raises the population's political and economic expectations.

As the Bulgarian and East German experiences confirm, once the lid of totalitarianism is prised open, it is difficult to tighten it.

But if the Albanian leadership fails to introduce substantial changes, then the population is likely to grow more restless as it considers its bleak future under a one-party state, the last in post-war Europe.

The violence and speed which overthrew the regime of the dictator Nicolae Ceausescu in Romania last December shows the fragility of these regimes when confronted with frustrated and angry crowds.

These then are the stark choices faced by Mr Alia, who is considered a popular figure – not a difficult feat given the appalling terror endured by the population under the late Mr Enver Hoxha who died in 1985.

Throughout his long rule, Mr Hoxha, who founded the AWP after the Second World War, ruthlessly put down any opponents. He did so not simply by expelling them from the party, but by arranging "accidents" and the like, a fate which befell Mr Mehmet Shehu who unwisely challenged Mr Hoxha in 1982 and who then committed "suicide".

Mr Alia, so far, has not faced any real challenge from within the party largely because he has been reluctant to start any policy of de-Hoxha-isation. Indeed, Mr Hoxha's memoirs continue to roll off the printing presses, a signal that Mr Alia is keen to keep under control the tribal factions within the communist party. One of those factions is led by Mr Hoxha's wife, the formidable Mrs Nexhmije Hoxha, a powerful but conservative figure who still wields enormous influence among the party rank and file.

In addition, Mr Alia has surrounded himself with reform-minded colleagues, including Mr Reis Malile, the Foreign Minister and Mr Farudin Hoxha (no relation), a young engineering professor who is spearheading closer economic links with the outside world.

But Mr Alia is anxious to match these changes with modest reforms introduced in May. These include more flexibility in the economy and the right to travel. So far, 6,000 passports have been granted. But the shortage of hard currency, the bureaucracy and the powerful interior ministry is likely to prevent large numbers of young Albanians from travelling abroad.

This will cause problems for Mr Alia because young Albanians, who are sensing the winds of change blowing from eastern Europe to the western edge of the Balkans, are growing more restless.

So far, no articulate opposition has emerged to lead them or to accelerate the pace of change. This suits Mr Alia. But the desperate need for change by the youth and the intellectuals, combined with the conservatism of the party, may mean that Mr Alia cannot continue to control change for much longer.

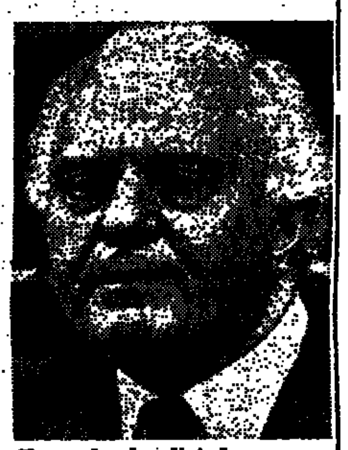
This bodes ill for the future. For given the country's traditions and history, the opponents of change are unlikely quietly to cede power to the proponents of change. "The Albanian people have hacked their own history with swords . . ." states the Albanian constitution, a reminder that change in a totalitarian system is rarely bloodless.

Gorbachev upstaged at congress by fiery words and farce

By Leyla Boulton in Moscow

THE Soviet leadership yesterday treated the Communist Party congress to an unprecedented double-bill performance featuring the near-collapse of Marshal Dmitri Yazov, the ageing Defence Minister, plus a vivid show of disarray at the top.

The 66-year-old marshal, after stumbling through much of a tedious report on his tenure as defence minister, had to be helped back to his front-row seat when it became clear he would not make it back on his own.



Shevardnadze: listed successes

Although in totally changed circumstances – this is the first time that politburo members have been ordered by party comrades to defend their record in public – the spectacle of an ailing Kremlin grandfather was a direct throwback to the Brezhnev era.

"Now you understand what a gerontocracy means," said a smiling air force colonel in his mid-30s. "This is one of our biggest tragedies," he said in a brief aside as delegates to the 28th party congress streamed towards the luxurious white-marbled cafeteria for lunch.

Earlier, Mr Lev Zaikov, 67, a former hardline Moscow Communist Party chief, now in charge of heavy industry and defence, drew cruel bursts of laughter from the hall as he jumbled his words to produce an unwitting pun about anachronistic phenomena.

One of the tasks of the 10-day congress is likely to be the election of a brand new politburo. Mr Mikhail Gorbachev, the Soviet leader, questioned on the issue, revealed yesterday that at least four of the older politburo members intended to step down.

Tass quoted him as telling delegates that Mr Nikolai Slyunkov, 61, and Mr Gumer Usmanov, 58, had cited health grounds, while Mrs Alexandra Biryukova, 61, and Mr Vitaly Vorotnikov, 64, had reached pensionable age.

Separately, two of Mr Gorbachev's closest allies, Mr Alexander Yakovlev, the ideological architect of perestroika, and Mr Eduard Shevardnadze, the vigorous 62-year-old Foreign Minister, have signalled their intention to leave the ruling body of the Communist Party while retaining government posts. Mr Shevardnadze, delivering a passionate defence of perestroika's achievements in foreign policy, said yesterday he saw "no reason" for combining his job as head of Soviet diplomacy with membership of the politburo.

"I am firmly convinced that our country needs strong armed forces. But this is not everything. One can arm oneself to the teeth and still fear an attack . . . Policy can provide such conditions when a country will not have enemies," he said, wagging his finger at the 5,000-strong congress.

At the opposite end of the political spectrum, Mr Yegor Ligachev, the party's senior conservative, won loud applause as he renewed attacks on Mr Gorbachev's policies.

The 69-year-old hardliner, clearly in command of all his faculties, said that "thoughtless radicalism, improvisation and swinging from side to side" had yielded little during five years of perestroika.

In a clear retort to Mr Yakovlev, who on Monday drew applause even from conservatives in an eloquent plea for radical reform of the party, Mr Ligachev said that he was convinced the party would remain "Marxist-Leninist".

It was not immediately clear how much of yesterday's proceedings would be shared with the Soviet public.

There was no live television coverage, and Tass made nc mention of the marshal's difficulties.

Report paints bleak outlook for the Soviet economy

By Stephen Fidler, Euromarkets Correspondent

A CONFIDENTIAL report from the Institute of International Finance, the Washington-based research group owned by international banks, describes the near-term outlook for the Soviet economy as bleak.

The problems of long-standing opposition to perestroika are being compounded by rising ethnic tensions and a devolution of political authority stemming from the decline of the Communist Party.

The report projects an expansion in the convertible currency current account deficit from \$3.4bn (£1.97bn) last year to \$4.4bn this year. Up to 1988, the Soviet Union enjoyed a significant current account surplus. The hard currency trade deficit is expected to reach \$2bn this year.

By 1991, however, the Soviet Union's external position could improve noticeably as trade previously conducted in non-convertible currency within east Europe is shifted to convertible currency. Assuming trade with Hungary and East Germany will be on a hard currency basis, trade should swing back into a \$600m surplus.

Despite the widening of the current deficit, net external borrowing should drop this year to \$4.2bn from \$6.5bn last year, a forecast made on the assumption that export financing will be reduced.

AMERICAN NEWS

US cable industry faces crackdown by legislators

By Peter Riddell, US Editor, in Washington

TIGHTER regulation of the US cable industry looks increasingly certain under legislation now passing through both houses of Congress.

The measure, in parallel versions approved by the Senate commerce committee and the House energy and commerce subcommittee on telecommunications, is a response to widespread complaints that the deregulation of the mid-1980s has led to poor service and excessive rate increases by some monopolistic operators.

The final form of the legislation is still uncertain in the face of intensive lobbying by cable operators of various kinds – broadcasters, programme producers, telephone companies and supporters of direct broadcast satellite services. At issue is the structure of the industry and the balance between regulation and competition.

There is growing controversy over a provision in the House version to ban new foreign ownership of US cable television systems, with effect from last June 1, and to limit the expansion of existing foreign-owned systems to 1m households.

A common feature of both Senate and House versions is tighter regulation of basic rates charged by cable operators. Under the House version, *consumers would have to show* that their rates were "unreasonable" compared with those of a similar sized operator to win a cut in rates.

The Federal Communication Commission (FCC) would be able to set maximum fees for a basic tier of programmes, such as local broadcasts and public-access channels, and would be able to reduce rates for other programmes where charges were *deemed "unreasonable or abusive"*.

According to the Senate version consumers would have to prove that an operator's rate increase was "significantly excessive" based on a series of factors to be assessed by the FCC.

Both versions aim to increase competition by ensuring that cable programmers with financial links to cable operators should not "unreasonably refuse to deal" with competitors.

However, the House version would continue to permit cable companies to enter exclusive agreements with programmers such as Home Box Office, which show films, as long as the cable market is regarded as competitive.

The Senate version does not have this exemption. New direct broadcast satellite operators, notably Sky Cable, a project backed by Mr Rupert Murdoch's News Corporation, have challenged such exclusive deals.

Ottawa urged to block Arctic oil drilling

By Bernard Simon in Toronto

THE Canadian Environmental Impact Review Board has urged Ottawa to reject Gulf Canada Resources' exploration programme in the Arctic, questioning the ability of oil companies and the Government to deal with a big spillage in the area.

Gulf Canada, *the biggest* operator in the area, has completed one well and plans to drill another this summer at a cost of C$70m (£34.3m). A third well is due for completion in 1993.

The Government has 30 days to decide whether to accept the recommendation.

Clean-up from a large well blowout in the Beaufort Sea would, under existing conditions, *"be subject to the same* degree of delay, confusion and inefficiency that appears to have characterised the Exxon Valdez oil spill," the report said.

Several Canadian oil companies have made the Beaufort Sea a focal point for exploration over the past 15 years, in the hope of repeating the nearby Alaska North Slope discoveries. But high costs, the *stagnant oil price and the* withdrawal of government funds have recently curbed drilling activity.

The review board, which includes federal government officials and representatives of the Inuit (Eskimo) community, said it was perturbed that the Government had capped the legal liability of oil and gas companies operating in the Beaufort Sea at C$40m.

It also voiced concern that annual spill contingency planning between the authorities and the industry had been discontinued, and that no investigation was made into a company's financial ability to cope with a large spill.

Gulf, which is controlled by Olympia & York, the Toronto real estate and industrial group, has estimated that in a worst-case scenario a well blowout in the Beaufort Sea could cause the spillage of 40,000 barrels of oil a day for just over two months. This would total 2.6m barrels, or more than ten times the amount spilt by the Exxon Valdez in Alaska last year.

Where ballot did not halt bullet

Human rights abuses continue in bloody Guatemala, writes Tim Coone

IF YOU want to enjoy your breakfast in Guatemala, it is best not to read the morning papers.

Reports and photographs of murdered, and often tortured, bodies are standard headline fare. These shed some light on the sporadic gunshots one frequently hears echoing through the night in Guatemala City centre. But few reports ever tell of the successful apprehension of the murderers.

The dead simply join a long list of 100,000 killings and *40,000 cases of "disappeared"* persons that international human rights organisations have compiled over the past 30 years in Guatemala.

There may be a duly-elected government in Guatemala, but according to Mr Marco Antonio Sagastume, a representative of the human rights ombudsman's office in the capital, "the disappearances and the systematic abuse of human rights *continue". He claimed the* security forces were the principal culprits.

According to an official of the human rights office of the Archbishop of Guatemala, who spoke anonymously for safety reasons: "Some 5,000 habeas corpus appeals have been made to the Supreme Court since President Vinicio Cerezo came to office in 1985. None has been successful".

Western diplomats defend the Christian Democrat administration of President Cerezo, saying that repression is not a policy of his government, but rather of the security forces, over which he has no control. The military themselves are under less pressure from the US to improve their human rights record because US military aid is limited. Mr Cerezo *himself has survived at least* two coup attempts.

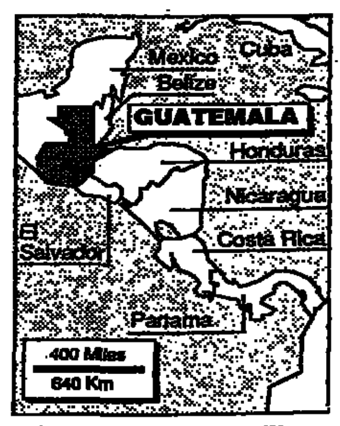
An explosion of drug-related crime and corruption is also taking its toll. Last August, Mr Danilo Barilles, a former secretary-general of the party and a probable candidate for the presidential election next November, was gunned down soon after announcing his intention to name government and Christian Democrat party *officials who he claimed were* involved in drug-trafficking.

One experienced western diplomat in Guatemala said: "Drugs are probably the single biggest threat to Guatemala's future. The country's institutions are not strong enough to withstand the pressure of the drug barons." He said Guatemala provided ideal conditions for the drug smugglers.

"There are over 1,000 air*strips on the Pacific coastal* plain and there is no radar coverage. For money laundering there is an extensive banking system with tight secrecy laws," he said.

Anti-narcotics police in the region have been alarmed by the growing use of Central America for the transit of cocaine to the US from Colombia in the past two years.

While drugs are the growing *threat, the left-wing guerrillas* of the URNG are a declining one. They never numbered more than 12,000 at the height of their activity in the early 1980s. Today, western diplomats put the figure closer to 2,000. As it happened, the brutal counter-insurgency campaign of successive military governments eliminated 10 times more civilians than guerrillas.



Despite this, the 45,000-strong armed forces and a 100,000-strong rural militia force are finding it extraordinarily difficult to eliminate the *remaining pockets of resistance.* In the past year the URNG has moved closer to the capital to raise their profile *and strengthen their negotia*ting position in peace talks with the Government. Ambushes and sabotage now occur within an hour's drive of the city.

Under the auspices of the National Reconciliation Commission (CNR), two rounds of *confidence-building talks have* been held in Oslo and Madrid this year, bringing together representatives of the URNG and the government as well as of the political parties. But big differences remain.

The government and armed forces insist on the guerrillas' disarmament before discussing constitutional and judicial reforms. *For their safety,* the guerrillas *insist on the reforms* as a first step. The army is convinced it has won the war and thus has no need to make concessions.

Against this background, and the seeming inability of the government to respond to growing economic problems in the country, a former general is emerging as one of the front-runners for the presidential race.

On a law-and-order and anti-corruption platform, ex-general Ephraim Rios Montt, who headed a de facto government in the early 1980s after a military coup, is hoping this time to be voted into office.

A right-wing nationalist with an honest but harsh reputation and little love for the "gringos" who severed military and economic aid to his regime, he has a strong following in the cities. *"I am like animal-fat soap,"* he is fond of saying. "I am not perfumed but I clean." Guatemala experienced one of its worst periods of political repression under his 16 months of rule. None the less, some opinion polls and many analysts consider him to be the probable next president if he is allowed to run.

An obstacle to his candidacy exists under the 1985 constitution, *forbidding former de facto* leaders from standing for public office. Mr Rios Montt's lawyers argue that the constitution cannot be applied retroactively. The Electoral Tribunal will have the final word. A ruling is expected by August.

Nicaragua renegotiates oil debt

By Tim Coone in Managua

VENEZUELA is to resume crude oil exports to Nicaragua in August this year, following the renegotiation of a $150m (£87.2m) debt this week.

Venezuela suspended all crude and refined oil products sales to Nicaragua in 1982 when the latter was unable to maintain payments, even on the concessionary terms under which Mexico and Venezuela were supplying the Central American countries under the San José agreement. This arrangement supplied 20 per cent of the countries' oil purchases on long-term credit.

Under the new terms, Nicaragua is to repay Venezuela over 40 years at an annual interest rate of 8 per cent, with a seven-year grace period for capital repayments.

Mexico suspended oil sales to Nicaragua in 1985 because of lack of payment, opening the way for the Soviet Union to become Nicaragua's main supplier. However, the last shipment of Soviet oil supplied on concessionary terms to Nicaragua is to arrive this month.

US manufacturing maintains flat trend

By Peter Riddell

NEW orders for US manufactured goods rose 2.1 per cent in May, reversing a similar decline the previous month and maintaining what the Commerce Department sees as a relatively flat trend.

Following Monday's increase in the purchasing managers' index of manufacturing activity, yesterday's figures reinforce the picture of, at best, sluggish growth in the US economy. Manufacturing output appears to be rising slowly, notably for export as domestic consumption has slipped back in recent months.

The Federal Reserve's policy-making Open Market Committee (FOMC) yesterday finished a regular two-day review of its monetary approach. The market generally expects no change in the immediate future although short-term interest rates could fall later in the summer, especially if there is agreement between the Bush Administration and Congress on a "credible multi-year package" to reduce the federal budget deficit.

Some economists are concerned that the slowdown will turn into a recession, but recent comments by Mr Alan Greenspan, the Fed chairman, and by most other Fed governors and regional bank presidents on the FOMC have been less pessimistic.

Regional bank presidents remain worried about inflationary pressures and believe it would be wrong to ease policy prematurely. The Administration, while believing a recession can be avoided, argues that the Fed is too concerned with inflation, which the Treasury maintains has stabilised.

Yesterday's figures, in seasonally adjusted current dollars, show that shipments of manufactured goods increased 2 per cent in May, more than offsetting the previous 1.3 per cent decline.

Manufacturing inventories were flat, continuing the recent trend and suggesting there is no large overhang of stocks which might force producers to cut their production levels.

Four held over death of Mexican activist

By Richard Johns in Mexico City

FOUR MEN have been arrested in connection with the murder of Dr Norma Corona, late president of the Commission for the Defence of Human Rights, in the northern Mexican state of Sinaloa.

One is an active officer of the state's judicial police, two others are former members of it and the fourth has connections with drug traffickers.

They are alleged "material authors" of the crime. As always in Mexico the principal question is who was the "intellectual author" – or who commissioned the assassination.

The killing of Dr Corona in the city of Culiacan on May 21 is believed by western diplomats to have prompted President Carlos Salinas de Gortari to establish a national commission on human rights, prior to his visit to Washington last month. His administration is showing mounting concern over Mexico's growing reputation for human rights abuses – concern heightened by political considerations as it approaches negotiations on a free-trade agreement with the US.

It was also embarrassed by a report of the US-based Human Rights Watch in June which highlighted the autonomy given to the federal judicial police in the fight against drug trafficking.

Officers of the police's anti-narcotics division routinely committed criminal acts far worse than those they were trying to stop, the report said.

It pointed out that Dr Corona had openly denounced the judicial police. It also said that journalists and human rights activists who report on abuses do so at considerable risk.

Mr Jorge Castaneda, a distinguished writer and journalist whose articles in the US press have deeply angered the Mexican administration, has recently been threatened with execution by elements now identified as being linked with the judicial police.

It in turn has tried to portray him as a spokesman of the centre-left opposition Party of the Democratic Revolution (the PRD), which claims that Mr Cuahetemoc Cardenas, its leader, was denied victory in the 1988 presidential election as a result of fraud.

WORLD TRADE NEWS

World trade structure 'runs failure risk'

THE FUTURE of the world trading system could be seriously at risk if trading nations fail to reach a framework agreement on the Uruguay Round of multilateral liberalisation talks in Geneva later this month, Peter Montagnon writes.

The warning comes in a report on the Round by the Eminent Persons Group on world trade, an international lobby group formed earlier this year and chaired by Mr Otto Lambsdorff, the former German Economy Minister.

Without such a framework agreement covering the entire 15-subject agenda of the talks, trade ministers would have too much to do at their final Uruguay Round meeting in Brussels this December and would be reduced "either to abject failure or, more likely, to dressing the window of an empty store".

The report, written by Mr Martin Wolf, Chief Economics Leader Writer of this newspaper, stresses the importance of the political sacrifices all participants must make to ensure a satisfactory outcome to the Round.

"There is no safe middle way between heroic success and dismal failure, and by now, success depends on some swift decisions," it says.

The report recommends that the Uruguay Round should produce an agreement on farm reform that is "a good first step" towards the goal of substantial liberalisation of world agriculture, even though the US goal of ending support may be too ambitious.

EC linen exporters in character clash with Japanese

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A SINGLE ideogram is at the centre of an EC trade dispute with Japan over the fabric ramie, sometimes called "Chinese grass", but not distinguished from linen on the label of Japanese garments, Robert Thomson reports from Tokyo.

European linen exporters say the confusion hurts their sales, while Japanese textile industry officials argue that there is no problem, since ramie and linen have a similar look and feel and, more important, Japanese consumers cannot tell the difference.

Japan's Ministry of International Trade and Industry (Miti) has asked EC officials to gather more information on the two fabrics, which are often blended by Japanese companies, although good-quality ramie is about half the price of linen.

Mr Robert Franck, director of Far East operations for the International Linen Confederation, said: "Not separating linen and ramie is like saying that pork and beef are the same because they are meats."

But Mr Shigekazu Kobayashi, managing director of the Japanese Linen Spinning Association, argues that the Japanese word "asa" has always covered both materials, and there is no need now to differentiate.

"Ramie has been a part of Japanese culture for thousands of years. You cannot say its quality is inferior to linen. High-quality kimonos are made from ramie. At the funeral of the late Emperor, the participants wore ramie," Mr Kobayashi said.

Washington discovered ramie four years ago, when the fabric was not on a textile quota list, and exports of ramie pullovers from China tripled in a year.

Chinese farmers had increased production sharply, as modern technology was able to refine a coarse fibre that had been used for sacks and gunny bags.

The Chinese have traditionally used two characters to separate the vegetable-based materials ramie and linen, but Japan now uses only one Chinese *ideogram, which can* mean both.

A Miti official admitted yesterday that the differences were significant, with linen softer and more suitable for lingerie, while ramie is good for jackets and jumpers.

Mr Franck said he could tell the difference from a distance, but until Japan agreed to make the point more obvious on the label, EC exporters would have difficulty building a high-quality image for linen in a quality-conscious market.

"Ramie is not the same. It doesn't drape as well. Its appearance is more metallic. It is not as soft. It simply is not as good," he said.

Japan imports more than 15 per cent of western Europe's linen production, and is the second-largest market after the US.

In the first 11 months of last year, Japan imported 15,754 tonnes of flax fibre, which is used to make linen, 815 tonnes of linen yarn, and 596 tonnes of fabric.

Mr Kobayashi argues that the raw material price difference matters little in the end cost to the consumer, and that the "question of quality is really a question of taste".

"For us, the wider the classification, the better, because that way you make fewer mistakes. If you start a debate about the relative quality of linen and ramie, you are really debating about the relative quality of eastern and western cultures," he said.

Miti is expected to begin discussions soon on the dispute with companies in the industry, but is likely to find opposition to a change. Tosco, Japan's largest ramie spinner, insisted yesterday that "consumers have not been inconvenienced."

Near-accord on need to abide by Gatt rules

COUNTRIES participating in the Uruguay Round trade talks have reached "practically complete agreement" on the need to abide by Gatt dispute settlement rules and refrain from unilateral action against each other, the chairman of the group discussing how to strengthen the organisation's dispute settlement mechanism says, William Dullforce reports from Geneva.

Governments are ready to make their domestic trade laws and enforcement procedures conform with the Gatt mechanism, Mr Julio Lacarte-Muro writes in a paper summarising the present stage of talks in his group.

However, one delegation, which he does not name but which can be assumed to be the US, says a country's right to act on its own should not be condemned outright.

The US argues unilateral action can best be obviated by dropping from the Gatt mechanism opportunities for delaying inquiries and blocking rulings, and by ensuring rulings can be enforced.

Many countries, including EC members, Japan and Canada, want an accord to stop the US taking unilateral action against its trading partners under Section 301 of its Trade Act.

A condition for such an agreement would be a strengthening of Gatt's ability to handle trade conflicts. Improvements proposed include automatic Gatt Council approval of the findings of a dispute panel subject to an appeals procedure; stronger procedures for ensuring rul*ings are implemented;* and provision for countries to secure compensation and retaliate against obdurate offenders.

Mr Lacarte-Muro reports "fairly widespread support" for having panel findings approved by the Gatt Council at the first or, at the latest, the second hearing, unless a country formally gives notice it will appeal a finding. At present, countries sometimes block approval for several months.

A time limit, possibly three months, for the appeals process is generally agreed. The appeals body would be small, perhaps with three full and four alternate members, and be able to uphold, modify or reverse a panel decision.

Most countries regard the appeals process as a way of stopping countries blocking dispute settlements at the approval or implementation *stages. But opinions differ on* whether the appeal body's decisions would be automatically binding or subject to "modulated consensus" in the Council.

US-Norway salmon row blows up

NORWAY and the US have become embroiled in a trade dispute which has prompted the US to levy a countervailing duty on imports of Norwegian farmed salmon which the US alleges is subsidised in violation of Gatt, Karen Fossli reports from Oslo.

Trade confrontation between Norway and the US has grown since the 1988 Omnibus Trade Bill, which Norway claims has lowered the threshold for US companies to voice complaints *against foreign competitors.* Several trade clashes, from shipbuilding to fishing, have ensued.

Complaints by US salmon farmers spurred an investigation by the US Commerce Department into alleged Norwegian subsidies to salmon farmers. Until the US investigation is completed, a temporary tariff of NKr0.77, or 2.4 per cent of the total price per kilogram, has been levied on Norwegian salmon imports. The US is due to decide in December whether to drop, lower or raise the duty.

The US imports about 13,000 tonnes of Norwegian farmed salmon each year, worth about $700m. Norway is considering taking the issue to a Gatt panel, denying it directly subsidises its salmon farmers. Norway believes the US attack has come because the US salmon industry is less competitive than its own. Earlier this year, Brussels launched an inquiry into claims that Norway has been dumping farmed salmon on the EC market.

Market quest threatens cosy Soviet-Finnish barter system

FINLAND'S *40-year-old* trade system with the Soviet Union, based *largely on barter of Finnish* manufactured goods for Soviet oil and gas, has been creaking lately. Indeed it never fully recovered from the blow of plunging oil prices in the mid-1980s.

But last month the system received its death knell when Moscow proposed scrapping the system from 1991 for trade based solely on hard currency.

Analysts agree that if Hel*sinki and Moscow scrap the* antiquated clearing-house system, Finnish exports to the Soviet Union will plunge. Mr Jermu Laine, head of the National Board of Customs and a former trade minister, believes that the resulting fall in total exports will be 4-5 per cent.

Helsinki hopes that Moscow will concede a transition period of up to two years before switching to hard-currency trade. Talks between the two countries on when and how to replace the present system will open in autumn and should be concluded this year.

But if Finnish trade levels to the Soviet Union were to fall further and were no longer regulated by trade accords, many analysts believe this would tilt Helsinki more towards the European Community. Even if Helsinki at present considers EC *membership out of the* question, believing the move could jeopardise its neutrality, Europe's growing importance as a trading partner may force Finland to think again. Finland *last year sent 64.3 per cent of* its exports to the EC and the European Free Trade Area *markets*, with two-thirds of that going to the EC.

The recent creaks in the barter system with the Soviet Union follow a trade relationship which has prospered since the 1950s. High international oil prices helped raise trade to a peak in the early 1980s, when the Soviet Union accounted for 25 per cent of Finnish trade.

Moscow's proposal that trade move to a hard currency basis has sounded the death knell for the 40-year-old system, writes Enrique Tessieri

Through five-year trade accords – the latest signed last October during the visit of Mr Mikhail Gorbachev, the Soviet President – Finnish industry has been guaranteed a special place in the Soviet Union's vast markets. But though Finnish-Soviet trade today employs directly 152,000 and indirectly around 300,000 Finns, volumes have slackened considerably since the early 1980s.

The NBC says Finnish *exports to the Soviet Union* for the first four months of this year have fallen by 33 per cent and accounted for only 11 per cent (FM3.70bn or £544m) of all Finnish exports. Soviet imports *from Finland in the first quar*ter of 1990 have also dropped by 4 per cent and accounted for just 9.4 per cent (FM3.28bn) of total imports.

In 1989, Finnish exports to the Soviet Union accounted for 14.5 per cent of the total and imports from the Soviet Union 11.4 per cent – a far cry from the early 1980s, when trade with the Soviet Union comprised 18 per cent of all Finnish trade.

The clearing-house system has made Finland virtually *dependent on the Soviet Union* for energy. In 1989, Finland imported 93 per cent (8.1m tonnes) of its crude oil, all of its 2.2bn cu m of gas, and about 50 per cent of its electricity from the Soviet Union.

But since Finland has no fossil fuel resources and little need for rudimentary Soviet manufactured goods, it has been impossible for Helsinki to find new Soviet imports to replace the losses in trade volumes caused by low oil prices.

Moreover, hard currency has played a minor – if growing – role in trade between the two countries. From 1980 to 1987, the share of hard currency in Finnish-Soviet trade oscillated between 2 and 6 per cent, according to the Bank of Finland.

In 1988, hard currency transactions were involved in 7 per *cent of all Finnish-Soviet trade* and the figure surged to around 18 per cent in 1989. From the beginning of this year, hard-currency transactions are at about 14 per cent.

Computer groups in battle over copyright

By Louise Kehoe in San Francisco

LOTUS Development, the personal computer software publisher, has filed suit against two competitors charging that their products infringe the copyright of Lotus' popular 1-2-3 spreadsheet program.

Lotus claims Borland International and The Santa Cruz Operation have copied the "user interface" - the menus and commands - of Lotus 1-2-3. The suits are the latest in what threatens to become an industry-wide copyright battle over the "look and feel" of computer programs.

Apple Computer is embroiled in a similar dispute with Hewlett-Packard and Microsoft.

Lotus' suits were spurred by its victory last week in a copyright suit against Paperback software, a small California software company.

After the decision, Borland International moved to file suit in California seeking a declaratory judgment that its programs do not infringe Lotus copyrights, but Lotus responded by filing its suit in Boston, where it wants the case tried.

Chile to boost export value to 35% of GDP

By Robert Graham

CHILE PLANS to boost the value of exports over the next five years from the equivalent of 30 per cent of GDP to 35 per cent, according to Mr Alejandro Foxley, the Finance Minister.

Mr Foxley, who yesterday ended two days of talks in London with senior British officials and members of the banking community, told the FT a strong export performance remained the cornerstone of Chile's growth strategy.

While the new democratic government maintained a tight fiscal policy and dampened the overheating inherited from the Pinochet régime, he predicted non-copper exports would grow an average 12 per cent a year in the next five years.

Chile is Latin America's fifth biggest exporter, fast challenging Argentina.

It has the region's most open trading system, with a uniform 15 per cent tariff. Last year, its exports almost topped $8bn (£4.65bn).

In the past 20 years, exports have grown from representing under 12 per cent of GDP to a current 36 per cent.

Continued growth was expected from forestry, agro-industrial products and mining. Chile's foreign debt was a concern, but manageable.

Trade was seen as the key issue over the next decade.

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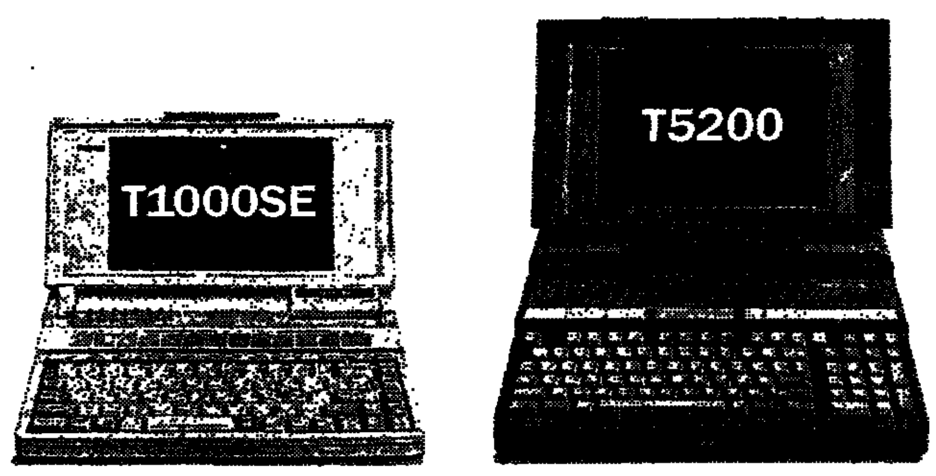

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President of Liberia to resign as rebels close in on capital

PRESIDENT Samuel Doe yesterday agreed in principle to resign, as rebels attacking the Liberian capital, Monrovia, were fighting troops in the city's eastern and western suburbs, Reuter reports from Monrovia.

A delegation, headed by Vice-President Harry Moniba yesterday advised the President to resign and President Doe said he would step down on condition his safety was guaranteed.

Shopkeepers in Monrovia said unruly troops, many drunken or drugged, yesterday terrorised the city, shooting from commandeered cars and extorting money from passers-by.

Rebel sources in neighbouring Ivory Coast, in radio contact with Liberia, said the guerrillas were only 200 metres from Doe's heavily-fortified mansion, where he was believed to be protected by crack troops and Israeli-trained bodyguards.

The six-month-old civil war, launched by President Doe's former associate Charles Taylor and a small band of followers from Ivory Coast, has turned into a bloody tribal feud which has killed thousands of civilians on both sides.

The US State Department had earlier put a special task force in Liberia on 24-hour alert as the rebels closed in on Monrovia.

Hopes rise for Angolan peace

HOPES for a settlement in Angola's 15-year civil war rose yesterday when the central committee of the ruling MPLA announced that the government would "evolve towards a multi-party system," Michael Holman writes.

This has been one of the main demands of the Unita guerrilla movement, led by Mr Jonas Savimbi.

A statement issued at the end of the meeting in the capital, Luanda, which began last Wednesday, said: "Bearing in mind the history and reality of our country, the People's Republic of Angola will evolve towards a multi-party political system."

Western diplomats said last night that the statement, which follows two rounds of talks between the two parties under Portuguese mediation, paved the way for further progress at a meeting due to take place later this month.

However, they added that, although the MPLA's agreement to accept a multi-party system was a big step forward, there might still be disagreement between the two sides over the length of a transitional period before elections take place. Unita was likely to press for a year to 18 months, while the MPLA expected some four years to elapse.

Complicated Marcos trial 'misguided and bungled'

Roderick Oram assesses the improbable — and unsuccessful — battle taken on by the US prosecution

AT ONE stage during the three-month racketeering trial in Manhattan of Mrs Imelda Marcos, Judge John Keene asked: "What am I doing here at 40 Foley Square trying a case involving theft of money from Philippine banks?"

From the outset, the US Government faced an improbable battle pursuing the Marcoses through the American legal system which saw Mrs Marcos acquitted on Monday. It alleged in its indictment in October 1988 that they had through bribery, corruption and outright embezzlement looted some $200m from their country during President Ferdinand Marcos's years in power.

It was alleged that they invested the money in four prime New York buildings, art and jewellery and in the process concealed their ownership of the property and defrauded US banks. This provided some grounds, the Justice Department said, for trying them in the US.

The indictments were awkward for the Administration of President Ronald Reagan. Less than three years earlier it had offered Mr Marcos a haven in Hawaii when he was ousted as President of the Philippines by Mrs Corazon Aquino.

Administration officials said at the time they would never have pursued the legal action if Mr Marcos had slipped into a peaceful and passive Hawaiian retirement. Instead, he had abused US hospitality by working to overthrow Mrs Aquino and had continued to break US laws after his arrival in Hawaii in 1986.

But, what is unfortunate for the US Government, any vague foreign policy gestures it was trying to make have long been lost in the spectacle of the Marcos trial. Observers say it will be remembered as a misguided and bungled legal excursion rather than a decisive event in US policy.

Inevitably, Mrs Marcos's acquittal raises questions about the impending trial of General Manuel Noriega, the deposed Panamanian leader. But the two cases revolve around entirely different issues: Mrs Marcos was tried for alleged US crimes while General Noriega was extradited to the US for crimes allegedly committed abroad.

Although the outcome of Mrs Marcos trail is largely irrelevant in Washington, it poses a considerable threat to Mrs Aquino in Manila. Many powerful friends and supporters of Mrs Marcos who sat in on the trial say her acquittal vindicates her and her late husband who died before the trial started.

Mrs Aquino says she will still not let Mrs Marcos return to Manila to bury her husband because she is still a "threat to national security".

Philippine officials in New York said after the trail their Government still planned to bring civil suits against Mrs Marcos to attempt to retrieve some of the money and property. Given her acquittal on US criminal charges, the Philippine's chances of success in civil court seem slim.

The biggest problem facing the prosecution in the criminal case was a lack of concrete evidence that Mrs Marcos was actively involved in the alleged financial schemes or at least knew the money came from illegal sources.

Throughout the 90-page indictment, her name was coupled with her husbands. Nowhere does it charge her with acting alone. When Mr Marcos died last September, the prosecution lost its key defendant and had a far harder task trying to prove Mrs Marcos's involvement.

Often during the three-month trial the jury seemed bewildered by the prosecution's parade of 95 witnesses, flowcharts of financial schemes, thousands of pages of documents, scribbled notebooks and ledgers. It was often unclear whether the money was flowing to or from the Marcoses, let alone where it originally came from. It never made the case that Mrs Marcos knew how her husband made the money she spent so freely.

"The case was poorly prepared by the Government and there was no proof. We just weren't convinced there was sufficient proof," Ms Catherine Balton, a retired office manager who was foreman of the jury, said after the trial.

"The government did a terrible, terrible job," said another juror. "They had half truths and not the right witnesses. It was a silly case."

The prosecution's case was hurt further last month when two key Filipinos decided not to testify against Mrs Marcos. They were worried about reprisals if Mrs Aquino fell from power, prosecution staff said.

Mr Gerry Spence, Mrs Marcos's defence lawyer, chose to call no witnesses of his own. He relied instead on the prosecution's case getting bogged down in its own lack of evidence.

Given to wearing cowboy boots and hat, rattleskin belts and long rambling speeches to the jury, Mr Spence played up the image of Mrs Marcos as the poor little widow left bereft thousands of miles from her homeland.

Mrs Marcos who had turned up haughtily for her arraignment last November in a dazzling blue evening dress splattered in jewels, appeared every day of the trial in widow's weeds and was often given to weeping.

Mr Spence told the jury in his summation: "Mrs Marcos committed no crime except the crime of loving a man for 35 years, of raising his children, of being his First Lady, of being his ardent supporter, of taking his lavish gifts."

Acquittal puts pressure on Aquino to lift exile order

By Rexie Reye in Manila

PHILIPPINES President Corazon Aquino yesterday faced renewed demands to allow Mrs Imelda Marcos to return home following her acquittal in New York on racketeering and fraud charges.

Her government said it would continue to ban the wife of the late dictator, Mr Ferdinand Marcos, saying she could threaten stability, peace and national security.

Mrs Aquino said the case in New York against Mrs Marcos was "a separate matter from whether she will continue to stay in the US or whether she can return to the Philippines."

But her opponents were quick to seize on her acquittal as an opportunity to raise the Marcos standard. Mr Juan Ponce Enrile, the Senate minority leader, said Mrs Marcos should be allowed to return. He disputed the government statement that she was a threat to national security. "She is a Filipino and each Filipino has a right to live here."

Mr Enrile added: "What can Mrs Marcos do to overthrow the republic? Maybe what will be overthrown is Mrs Aquino's administration but not the republic."

Mr Rafael Recto, a Marcos lawyer in the Philippines, said the New York trial had taken its toll on Mrs Marcos's health. "She wants to come back, but with the remains of former President Ferdinand Marcos to bury him properly. She is willing to face trial here and all she is waiting for is her travel documents," he said.

Mr Salvador Laurel, vice president, said Mrs Aquino should recognise the universal declaration of human rights and allow the return of Mrs Marcos. Mr Laurel, Mrs Aquino's election running mate is now an opposition leader along with Mr Enrile and Mr Recto.

Some opposition figures believe the return of Mrs Marcos would help unite the splintered opposition.

In legal circles, it was said Mrs Marcos should be allowed to return to stand trial in the Philippines.

The New York acquittal, according to financial analysts, will affect the economy and the stock market only temporarily. Mr Joseph Roxas of R. Coyiuto Securities, one of the top five securities firms in Manila, said the drop in yesterday's trading was only minimal and that it was expected, since the composite index was predicted to head towards the support level of 840 to 880.

The market, Mr Roxas said, had been on a downtrend since last week because of the general perception that Mrs Marcos would be acquitted. The reaction of the Aquino government will be a key factor to the movement of the stock prices in the next few days, Mr Roxas said. "If the government reacts calmly about the event, the market will rebound. If not, it could drop again to the level we started at the height of the most recent coup rumour last month."

Saudis say 1,426 killed in pilgrimage stampede

A TOTAL of 1,426 pilgrims died during Monday's stampede in a tunnel near the Moslem holy city of Mecca, Prince Nayef Ibn Abdulaziz, Saudi Arabia's Interior Minister, said on Saudi television yesterday, Reuter writes from Nicosia.

The minister gave the final death toll more than 36 hours after the disaster at al-Muaissem tunnel, where worshippers suffocated or trampled each other in a frantic bid to escape after a power cut halted the air supply.

The minister said a pedestrian bridge leading to the tunnel was heavily congested on Monday morning. At the same time, there were about 50,000 people in the tunnel itself, many times its capacity.

He said pilgrims pushing forward over the bridge caused seven people to fall at the tunnel entrance, causing panic.

"This led to pilgrims within the tunnel retreating and colliding with other groups of pilgrims," he said. "This regrettable incident led to a number of fatalities among pilgrims, estimated at 1,426 according to Ministry of Health reports." He made no mention of a power cut inside the tunnel which witnesses had reported earlier.

"It is the inescapable will of God," said King Fahd, the Saudi monarch who has taken the title of Custodian of the Two Holy Mosques to reaffirm his Islamic credentials and show his concern for the holy sites of Mecca and Medina.

Our Foreign Staff adds:

The sheer number of Moslems — about 1bn — and the ease of access to Saudi Arabia by air has made the Hajj an annual logistical challenge for the Saudi government. A multi-billion dollar development plan, of which the tunnel was a part, is under way to expand and improve Hajj facilities.

About 1.5m people, including a delegation from the Soviet Union, have been performing the Hajj this year in the blistering midsummer heat.

Saudi Arabia has set quotas of one pilgrim per 1,000 inhabitants for foreign Moslem countries and prohibited political demonstrations, angering Iran which has boycotted the pilgrimage for three consecutive years.

The masses of pilgrims at this year's Hajj move towards a tunnel at Mina not far from where many were killed this week

Iran, Iraq ministers hold direct talks

By William Dullforce in Geneva

THE FOREIGN ministers of Iran and Iraq shook hands and spoke directly to each other yesterday for the first time since the ceasefire in the Gulf War, raising hopes that their two countries will shortly resume talks on a peace settlement.

A summit meeting between Iranian President Ali Akbar Hashemi Rafsanjani and President Saddam Hussein of Iraq "is going to take place sooner or later", according to Mr Javier Pérez de Cuéllar, the UN Secretary-General, who organised the face-to-face encounter in Geneva between the foreign ministers.

After separate meetings with the secretary-general, Mr Ali Akbar Velayati of Iran and Mr Tariq Aziz of Iraq agreed to meet in the same room with him yesterday afternoon. They were in the same room on one previous occasion in April 1989, but did not address each other, speaking only to the secretary-general.

Yesterday's meeting sent the right message, that both governments were really committed to finding a peaceful solution as soon as possible, Mr Pérez de Cuéllar said.

According to Arab officials, Oman is a likely venue for the a meeting between Presidents *Saddam and Rafsanjani* now that an offer to chair the peace talks from the Soviet Union appears to have run into the sands.

However, Mr Pérez de Cuéllar said he had confirmed with the foreign ministers that the presidential meeting would take place "in the context of [UN Security Council] Resolution 598", implying that peace talks would continue under UN auspices.

Acceptance of the resolution by the two countries led to a ceasefire in August 1988, after eight years of war.

Israeli envoy quits in clash with Shamir

By Hugh Carnegy in Jerusalem

ISRAEL'S ambassador to Egypt, one of the country's most important diplomats, resigned yesterday, citing differences with Mr Yitzhak Shamir's right-wing coalition government.

The departure of Mr Shimon Shamir (no relation), is an awkward development for the government, which is trying to convince a sceptical US and Egypt — the only Arab country to have made peace with Israel — that it is serious about peace moves, despite its uncompromising position on starting talks with the Palestinians about the occupied territories.

The ambassador said his decision was not prompted by any specific steps taken by the Likud-led government, but he said: "I resigned because my personal beliefs are not in harmony with the programme of the present government."

The coalition's commitment to holding on to the West Bank and Gaza Strip and its unyielding stance on excluding the Palestine Liberation Organisation from any negotiations pose serious obstacles to reviving hopes for an Israeli-Palestinian dialogue promoted by both Washington and Cairo.

The ambassador, an academic expert on Egypt brought into diplomatic service two years ago by Mr Shimon Peres, the Labour Party leader and at the time Israel's Foreign Minister, was closely involved in the efforts to get talks going. The talks collapsed in March.

Soviet influx sparks concern over credit

The Bank of Israel yesterday voiced concern over an expected surge in credit demand to cover the absorption of immigrants from the Soviet Union, warning of a threat to the stability of commercial banks if the Government did not help them out, writes Hugh Carnegy.

Mr Amnon Goldsmidt, supervisor of the banks at the central bank, said the arrival of 100,000 Soviet Jews a year over the next three years would generate additional demand for funds of $10bn.

"These are sums the banks will not be able to raise by themselves," he said. "I suggest that the state and the banks share the risk which the Israeli economy has to accept because of aliyah [immigration]."

"I see a great danger for the stability of the banks if they are left to realise this project on their own," Mr Goldsmidt added. At present banks carry most of the risk on government-subsidised mortgages for new immigrants, a large source of credit demand.

Mr Goldsmidt was presenting his annual report on commercial bank performance.

Indonesia and China fix date to restore relations

CHINA AND Indonesia agreed yesterday to restore relations on August 8, ending a break of 23 years and providing a diplomatic triumph for Peking, shunned since its crackdown on dissent last year, Reuter reports from Peking.

The two countries, in a joint communiqué signed by their foreign ministers, also agreed to mark their newly resumed ties with a visit to Indonesia by Li Peng, the Chinese Premier.

"We have just signed a document of historic significance," said Qian Qichen, the Chinese Foreign Minister, speaking to reporters after exchanging a champagne toast with his Indonesian counterpart, Mr Ali Alatas.

Mr Alatas arrived in Peking on Sunday on the first visit to China by a senior Indonesian official since ties between two of the world's most populous countries were suspended in 1967. Indonesia accused China of supporting an abortive coup in 1965. Up to half a million people died in a wave of killings after the coup, mostly members of the Indonesian Communist Party.

Asked whether China supported communists in Indonesia, Qian said: "I don't know anything about that."

Peking has found itself barred from high-level contacts and badly needed official credits from the west and Japan since it called in the army to crush a pro-democracy campaign in June last year.

It has also seen support wane from reform-minded eastern Europe and a string of smaller countries, from Liberia to Grenada, that have recognised rival Taiwan. The Chinese foreign minister suggested that China might soon add another diplomatic feather to its cap, saying that preparations were under way for ties with Singapore.

Mandela rebuked in Britain

By Michael Holman, Africa Editor

MR NELSON MANDELA, deputy president of the African National Congress (ANC), was sharply rebuked at the start of a two-day visit to Britain for his advocacy of negotiations between the British Government and the IRA.

His arrival at the grand committee room at the House of Commons, where he addressed the all-party Southern Africa Committee, began on an emotional note when he was greeted by a three minute standing ovation.

But Mr Mandela, who meets Mrs Margaret Thatcher, the British prime minister, for the first time today, heard an otherwise warm speech of introduction end with a trenchant admonition.

"There is all the difference in the world between the struggle of a liberating movement against an oppressive, despotic regime and violence carried out for political ends in a parliamentary democracy," said Mr Ivor Stanbrook, the Conservative MP who is chairman of the committee.

"The one may be justified. The other can never. Please recognise and observe this distinction. We will never negotiate with those who seek by violence to destroy our democratic society," he said.

Mr Mandela had told reporters in Dublin on Monday that he favoured negotiations between the British Government and the IRA.

Mr Stanbrook's message was repeated later in the day by Mr Douglas Hurd, the Foreign Secretary, during a 90 minute meeting with Mr Mandela. The prime minister is expected to make the same point, although British officials continue to emphasise that it will not be allowed to divert attention from the main items on the agenda.

Speaking at the end of a 25 minute prepared text, during which he appealed to Britain to maintain sanctions against South Africa arguing that the process of change in South Africa had not yet reached the point of irreversibility, Mr Mandela sought to defuse the row.

"Let me put the record straight...I made no comments about the IRA nor the Government. What I said was to point out that our approach, as the ANC, is that all conflicts wherever in the world they are found should be settled peacefully."

In his talks with Mr Mandela, Mr Hurd concentrated on the need for an end to violence in South Africa, and elaborated on the government argument that President de Klerk's *reforms justified the easing of* sanctions.

Mrs Thatcher will underline these points, urging Mr Mandela to lose no time in getting formal constitutional talks under way.

S Korea's inflation rate heads for double figures

By John Ridding

SOUTH KOREA'S consumer price index rose by 7.4 per cent in the first half of the year, pushing the annual rate of inflation to its highest level since 1981, according to the Economic Planning Board.

The high rate of inflation, which has become the government's principal economic concern, was attributed to sharp increases in the price of agricultural products and service charges, and rising rental costs.

Analysts said that inflation would slow in the second half of the year as anti-inflationary measures, such as a tightening in the money supply and cuts in utility charges, take effect. Inflationary pressures will also be eased by the relatively moderate wage increases awarded this year, which have averaged less than 10 per cent, compared with an average of almost 20 per cent last year.

However, most *analysts* expect that it will be difficult to achieve the government's annual inflation target, which was raised from 5-7 per cent to 9 per cent last week. They argue that inflation is likely to reach double figures and record its highest rate since the 18.6 per cent increase in the CPI in 1981.

The rise in inflation is partly a reflection of the stronger growth of the Korean economy and a shift in the composition of growth towards domestic demand.

Last week the EPB forecast that GNP would rise by between 8 and 9 per cent this year, well above the government's original forecast of 6.5 per cent growth. The improved forecast is based on an estimated growth rate of 9 per cent in the first half resulting from a domestic building boom and strong domestic consumption.

Socialism still attracts leaders of poor South African blacks

The ANC has not written off nationalisation, despite the moderate stance of Nelson Mandela, reports Patti Waldmeir

IT MAY be evident in London and Washington, Prague and Moscow, that state socialism has failed to deliver economic prosperity. But in South Africa, within the huge black underclass and among many leaders of the African National Congress, socialism has not been written off entirely.

British businessmen might do well to remember that today when they listen to Mr Nelson Mandela, deputy president of the African National Congress, outlining ANC economic policy at the invitation of the Confederation of British Industry.

For in South Africa, where income disparities remain grotesque, the egalitarian aims of socialism still strike a deep chord. Leaders of the South African Communist Party (SACP), the ANC's closest political ally, insist that the dismal performance of east European economies can be blamed on faulty implementation of socialist policy: the ideology, for them, remains untarnished.

Mr Mandela, for his part, is not a communist and he has recently done much to moderate his economic rhetoric. For the first few months after leaving prison on February 11, the ANC leader insisted that nationalisation of banks, mining houses and "monopoly" industries was essential.

Such comments sent South African equities and the rand into sharp decline, and Mr Mandela has since toned them down. He told the US Congress last week that the ANC held "no ideological position that dictates it must adopt a policy of nationalisation," adding that the private sector was "an engine of growth and development critical to the success of the mixed economy we hope to see in future."

His comments are directly contradicted by an ANC working paper published a fortnight ago which, though not a formal policy document, represents the current state of economic thinking within the ANC and its more radical affiliates, including the hard-left Congress of South African Trade Unions (Cosatu), the largest union federation. The document demonstrates that Mr Mandela's moderation is not shared by many of his colleagues.

The paper speaks of a "transformation of the economy" of which "nationalisation would be an essential part". The state would assume "the leading role in the reconstruction of the economy", the paper says, adding that "overall macro-economic planning and co-ordination" would be the order of the day. Almost as an afterthought, it adds that "efficiency and effectiveness" would be the criteria for state involvement.

The document calls for the burden of taxation to be shifted onto corporations, and for the "restructuring" of the financial sector — including the Johannesburg Stock Exchange, which is seen by the ANC (in the words of one local *economist) as* a "*wasteful and debilitating casino*". Conglomerates would be "dismembered" — though it is unclear where buyers would be found for the dismembered assets.

Mr Max Sisulu, head of the ANC economics department, further elaborated policy in a recent interview. Through the jumble of rhetoric in the interview, with the Johannesburg Financial Mail, the following principles emerge: "astute monetary policy will be pursued to regulate and control the actions of the financial sector, rather than the pursuit of arbitrary monetary targets"; and "instead of pursuing the much vaunted policy of trimming state expenditure, our focus would be on redirecting it towards more productive ends." The interview does little more than highlight the confusion of much ANC economic thinking.

A recent interview with the ANC's most articulate economic thinker, Mr Joe Slovo, who is also Communist Party general secretary, seems, on the surface, far more reassuring. "Let's get away from this cliché 'nationalisation'," he argues, adding that "proper communism" would not be seen in his lifetime, and possibly not in the lifetime of his children.

He acknowledges that businessmen are not philanthropists; they require "a good return on investment, stability and security". None the less, "we cannot allow that fact to prevent us from using state mechanisms to begin to redress the economic imbalances from which the majority have suffered."

Nobody yet knows how big a role the state will play in the ANC's "*mixed economy*". *Nationalisation* may yet be abandoned as ANC policy (though Mr Mandela still refuses to rule it out as an option); but the battle for capitalism is far from won in South Africa — however moderate the claims of its venerable leader.

Government calls for better policing by self-regulatory bodies

City told to crack down on fraud

By Ralph Atkins and Richard Waters

A STERN warning about the responsibility of City regulators to crack down on financial fraud and theft was given yesterday by Mr John Redwood, UK Corporate Affairs Minister.

The job of compliance officers and regulators was to be "feared and respected," Mr Redwood said. The public expected them to protect investors against "fraud, theft and daylight robbery."

His speech – which excluded all references to specific cases of alleged insider dealing – was a clear signal of the anxiety of the Department of Trade and Industry to be seen as taking an active role in improving policing of the City.

It came as last month's collapse of the investment firm Dunsdale Securities, with losses of £17m, focuses attention on the effectiveness of the City's regulators.

The Financial Intermediaries, Managers and Brokers Regulatory Association, which was responsible for Dunsdale, knew of no problems at the firm until four days after its sole director had gone missing.

The Government is under strong political pressure to clean up the image of the City of London, particularly as international competition intensifies among financial centres. A critical parliamentary report on insider dealing and fraud in May said "rarely can a government department's discharge of its responsibilities have been held in such low esteem among others."

The Government has argued that the regime has changed under the 1986 Financial Services Act, which shifted responsibility for policing the City to self-regulatory bodies.

But Mr Redwood's comments underline a belief that there is room for improvement in detecting theft and fraud by these organisations.

He told a conference on international co-operation and reciprocity in financial regulations in London, that no regulator could offer a "100 per cent guarantee" against fraud.

But regulators and compliance officers should follow up press comment, customer complaints or rumours "swiftly, vigorously and in confidence," Mr Redwood said. They should watch for people with previous convictions or "tiffs with the law" and swap information with other regulators around the world.

"Writing and rewriting rule books with more and more detailed rules is not likely to increase your chances of catching a crook. If he lies about the basics, he can fabricate rule compliance."

Mr Redwood's comments drew an irritated response from regulators, who generally seemed unhappy about being told how to do their job. "Everyone knows what should be done – it's the doing of it that's the difficult part," one said.

Another pointed out that the DTI had itself been responsible for regulating Barlow Clowes, and that it was only after the self-regulatory apparatus of the Financial Services Act came into force that Barlow Clowes was closed down.

ICI plugs kitchen sinks for the 1990s

Peter Marsh looks at the group's international investment strategy

Upmarket kitchen sinks rather than low-grade plastics packaging. These are the application areas that Imperial Chemical Industries has in mind while pursuing a development strategy for the 1990s based on high-value areas of chemicals as opposed to cheap commodity products.

One detail of that strategy became clear yesterday when ICI announced a £110m manufacturing project on Teeside, north-east England, that is part of a £450m international investment plan in high-value acrylic plastics.

Under the direction of Sir Denys Henderson, ICI chairman, the company has in recent years increasingly targeted for expansion low-volume, specialised areas of industrial chemicals rather than commodity products such as packaging materials.

Industrial chemicals add up to the biggest single part of ICI, which is Britain's biggest manufacturer with expected sales in 1990 of £14bn. Other big product areas for the company include the relatively high-value fields of pharmaceuticals and agrochemicals.

ICI's ideas fit in with the general trend in the £700bn-a-year world chemicals industry in which most large companies have attempted to steer away from bulk products.

The latter, which include many types of plastic and standard industrial materials like soda ash, are sold in high volumes and at low prices. Prices of these materials have a habit of plunging unexpectedly lower due to sudden fluctuations in demand, harming profitability.

Acrylics plastics, which end up in a variety of uses such as coloured sinks, architectural fixtures and engineering mouldings, are a good example of a speciality chemical. These plastics – not to be confused with acrylic fibre – constitute a world market of only about £1.5bn a year.

ICI accounts for about a quarter of total revenues from the material. It is the third biggest company in this field after Rohm and Haas of the US and a joint venture between Hüls of West Germany and the US's American Cyanamid.

The acrylics world market is tiny compared with total international plastics sales, which are about 100 times higher. But while many forms of low-value plastics – for use in fields like packaging, standard automotive fittings and pipes – look likely to grow through the 1990s at a few percentage points a year, acrylics sales are expanding at an annual rate of 5-10 per cent.

Price competition in acrylics is much less than in the commodity materials such as polyethylene, polyvinyl chloride (PVC) and polypropylene. This reflects the smaller number of world players.

While acrylics sells for £1,500 to £3,000 a tonne, bulk plastics normally have prices of less than £1,000 a tonne. Profit margins in the higher-value material are significantly higher.

All these points explain why ICI is much keener on expansion in acrylics and similar upmarket plastics than on other parts of its £5bn-a-year industrial chemicals business which are concerned with commodity materials.

It is an open secret in the chemicals industry, even though ICI officials are not commenting, that the company is considering a divestment of its activities in some areas of commodity materials such as polypropylene. It may also be interested in offers for its 50% in European Vinyls, a big Brussels-based producer of PVC in which the other stakeholder is Enimont of Italy.

As for acrylics, Mr Philip Felcey, general manager of ICI's acrylics division, said yesterday he hoped the £360m of ICI sales from these materials this year will "grow significantly" by the mid 1990s.

Much of this expansion should take place in the US and Far East, regions which each account for only about a sixth of ICI's acrylics sales at present. The UK provides acrylics sales of £100m a year for ICI while the rest of western Europe accounts for another £140m.

Much of the £450m acrylics investment plan by ICI is aimed at increasing the output of ICI's plants for turning methyl methacrylate, the main raw material for acrylics, into finished sheet or resin which is then sold to the final user – such as a maker of kitchen sinks or a plastics-moulding company. ICI runs 12 of these plants around the world, including the US, Japan, Australia, Taiwan, France and Holland. It is considering opening several more, as well as extending existing units.

BRITAIN IN BRIEF

Key talks on trading collapse

Regulators say that a key meeting in the next forty-eight hours will decide whether the Department of Trade and Industry will invoke rarely-used powers to initiate a far-reaching investigation into share dealings connected to the collapsed Dunsdale Securities firm.

The meeting between the DTI and the Serious Fraud Office will evaluate dealing records compiled by the International Stock Exchange of transactions by Dunsdale and some of the City's largest securities and investment houses.

The ISE's check on Dunsdale's trading activity has confirmed that it was not trading in UK government bonds as it claimed to investors. Not a single gilts deal has been uncovered since the SFO moved into Dunsdale on June 6.

Sterling boosts gold reserves

Sterling's strength in June allowed a rise of $115m (£66m) in the UK's underlying reserves of gold and foreign currency, official figures indicated yesterday. The markets had been expecting an underlying rise in the region of $100m.

The pound's favourable performance during June – fostered by the belief that the UK would soon become a full member of the European Monetary System – enabled the authorities to keep intervention in the foreign exchange markets to a minimum during the month. They were likely to have sold small amounts of sterling for short-term smoothing purposes to keep conditions in the markets orderly.

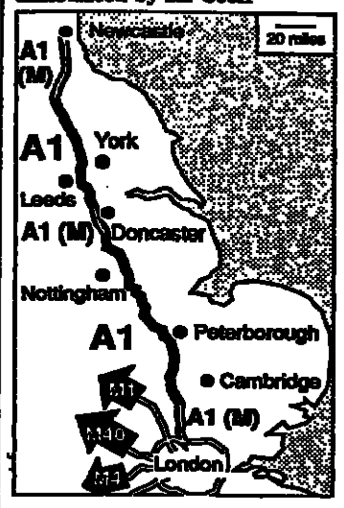
New motorway for Britain

A new motorway – at 260 miles, Britain's longest – will stretch from London to Tyneside by the end of the 1990s, it was announced yesterday.

It will largely consist of an upgrading of the existing A1 trunk road linking the capital with Doncaster, Leeds, Darlington and Newcastle upon Tyne.

About 75 miles of this route is already motorway, a further 48 miles is programmed to improved to motorway standard, and another 75 miles is due to be upgraded to dual three-lane trunk road.

The effect of the decision announced by Mr Cecil



Parkinson, the Transport Secretary, yesterday will be to fill in all the missing links between the A1(M) sections with dual three-lane motorway.

It will also help deflect criticism that the Government is spending too little on Britain's transport infrastructure in the run-up to the single European market and the opening of the channel tunnel.

Split over Channel 5

Britain's broadcasters seem to be deeply divided over what should be broadcast on Channel 5, the planned television channel capable of reaching around 70 per cent of the country and which will be put out to competitive tender late next year or early 1992.

The lack of consensus, more than two years after the Government first made it clear it wanted a fifth channel to provide more competition for advertising revenues, emerged at a meeting of broadcasters in London last week.

At the meeting, called by Mr Michael Braham, chief executive of Broadcast Communications, an independent television production company, there was support for turning the channel into a "knowledge channel," specialising in education and documentaries on subjects such as science, nature and the environment.

British Rail cuts services

British Rail is to cancel 5 per cent of suburban passenger services running out of London's Waterloo terminus from Monday July 16 because of crew shortages.

It said the cuts had been caused by a postponement of plans to convert the trains to driver-only operation, resulting in a temporary shortage of guards.

Driver-only operation was originally intended to have been introduced on Waterloo suburban services in the early summer, but has been put off until the autumn because of the need to incorporate additional safety measures.

US group buys Domain Power

Domain Power, a power supply manufacturer set up two years ago with the backing of the Scottish Development Agency and 3i, the venture capital group, in an effort to develop the indigenous Scottish electronics industry, has been sold to a subsidiary of Raytheon, the diversified US electronics group.

Domain Power, which has grown rapidly over the last two years, was widely regarded as one of the most successful attempts to develop Scottish electronics in the wake of substantial foreign investment.

However company executives said the takeover was essential to safeguard its future. Although Domain Power will take the name of Sorensen, the Raytheon subsidiary, it will maintain its own research and development facilities and manufacture its own products. It will also assemble Sorensen power supplies.

The US company is planning to invest £3.5m in the company to expand production, creating about 400 more jobs.

National Power names chief

Sir Trevor Holdsworth was yesterday appointed part-time chairman of National Power, the largest electricity company heading for privatisation, at a salary of £185,000.

This is about 70 per cent more than the salary paid to Lord Marshall, who resigned as full-time chairman of the

Holdsworth: high earner at National Power

Central Electricity Generating Board in November.

The big increase reflects the jump in salaries that is likely among senior electricity managers after privatisation.

House prices fall by 5.3%

House prices in the UK during the 12 months to the end of June fell by the biggest amount since 1954 according to figures published yesterday by Nationwide Anglia, Britain's second largest savings and home loans association.

The society said that prices on average had fallen by 5.3 per cent during the past year.

This was the biggest fall since the society began keeping records in 1952.

House prices in real terms, after allowing for inflation were 14 per cent to 15 per cent lower than at the same stage last year, said the society.

It forecast that prices would fall by about 10 per cent this year but could rise modestly next year if interest rates start to decline.

Watchdog urges progress towards EC-wide legislation

Timeshare industry faces legal curbs over ethics

By Maggie Urry

LEGISLATION to control the timeshare industry was proposed by Sir Gordon Borrie, director general of the Office of Fair Trading, when he published a report on the industry yesterday.

The Timeshare Developers Association, which represents a minority of companies in the industry, welcomed the report.

The report follows a year long study of the industry which Mr Eric Forth, the consumer affairs minister, asked the OFT to undertake following numerous complaints from consumers.

Mr Forth said yesterday he hoped to give his responses as soon as possible.

The industry has been plagued by unethical operators using high-pressure selling techniques to sell timeshares, which give the buyer the right to occupy a holiday home for a certain week or weeks each year.

Sir Gordon said, "I can only conclude there is a core of companies in the industry which has taken a conscious decision to ignore usual business ethics."

The OFT had received over 2,500 letters from individuals and more phone calls. Sir Gordon said two-thirds of these were generally favourable, though some included specific complaints about aspects of the industry.

Sir Gordon Borrie

The OFT found that a typical timeshare, costing £6,000 for a week, worked out more expensive than taking self-catering holiday packages every year over a 15 year period.

Further, resale prices of timeshare weeks were often 20 to 50 per cent below the ruling selling prices and some owners found it was impossible to sell their weeks.

The report quotes TDA figures suggesting that nearly 200,000 Britons own timeshares.

The TDA said, however, that between 70 and 80 per cent of these had bought their timeshares overseas, which might take the contracts outside the jurisdiction of any UK legislation.

Sir Gordon said he recognised that overseas operators might escape UK law but said that in many cases there was a UK connection, perhaps through a parent company, or through credit card companies when payment was made.

He said he hoped other countries would also adopt regulation and that perhaps the EC could legislate on the timeshare industry.

Under his recommendations a new law would require timeshare sellers to give buyers a prospectus giving full details of the price, ownership, maintenance charges and other aspects of the timeshare.

There would be a 14-day "cooling-off" period during which people could pull out of contracts without penalty, and there should be safeguards that money paid to developers should not disappear.

Mobil first to buy gas for UK industrial customers

By David Thomas, Resources Editor

MOBIL, the US-based oil company, is to sell gas direct to UK industrial customers – thanks to the help of British Gas, which will be its main competitor in the newly liberalised market.

This is the first time that British Gas has sold another company gas in order to encourage emerging competition in the UK gas market.

"It's a strange position for a company to be in, but we feel we have to encourage the competition," British Gas said yesterday.

Customers using more than 25,000 therms of gas a year are now allowed to shop around for competitive gas supplies.

However, British Gas held a monopoly of this business until earlier this year, when Quadrant, a joint venture between Shell and Esso, became the first newcomer to enter the market.

Mr James McKinnon, the industry's regulator, stressed last month that competition was being inhibited by a lack of gas not committed to British Gas. He has been pressing British Gas to make some of its gas available to competitors.

Mobil announced yesterday that it had set up a UK gas marketing subsidiary, which would have 70m therms a year of gas available for sale to the industrial market from October. Most of this is UK southern basin gas sold to it by British Gas.

Mobil also unveiled its first customer – Wedgwood, the Staffordshire-based china company, which will take 10-12m therms a year from Mobil from December.

Mr Ted Trafford, managing director of Mobil Gas Marketing, said Mobil hoped to account for 8 per cent of UK gas sales by the end of the century.

A new pipeline from the Mobil-operated Beryl field to St Fergus in Scotland will give Mobil access to a new source of gas for industrial customers in late 1992. Mr Trafford said Mobil hoped to buy gas from other companies before that.

Mr McKinnon, director general of the Office of Gas Supply, welcomed the Mobil announcement. "This is what I've been working for over many months. But it is only just a beginning and I hope to see many more such deals."

FT CONFERENCE: NORTH SEA OIL AND GAS

Industry's guardian confident of role post-1992

THE inauguration of the single European market at the end of 1992 is not expected to affect the Offshore Supplies Office (OSO) of the Department of Energy, which promotes the UK oil services industry, according to Mr John d'Ancona, OSO director general yesterday, writes Steven Butler.

Mr d'Ancona, speaking yesterday at the FT North Sea Oil and Gas conference, however expressed concern that the UK industry could be affected by unfair competition from foreign companies.

"Even as recently as this year we have found several cases of strong influence being brought to bear behind the scenes to place orders on a national rather than an economic basis," he said.

He expressed concern that market-oriented British companies may be undercut by subsidised state companies, or by corporations with structure that makes it impossible to achieve the transparency needed to monitor rules on public procurement.

Many in the oil industry have expected the OSO would be wound up because of suspicions in Brussels that it unfairly protects British industry. However Mr d'Ancona said the OSO merely worked to insure a fair opportunity to British suppliers.

Mr Peter Gaffney, senior partner at Gaffney, Cline & Associates, questioned whether the level of business activity associated with the North Sea was quite as buoyant, or its future quite so secure, as many observers believe.

"If the price of oil has gone down by five or six dollars since the start of the year, who's to say it won't go down another four or five dollars?" he said.

He pointed out that international drilling rig utilisation was running only about 80 per cent of capacity, and that until this rose above 90 per cent day rates for rigs were unlikely to justify replacing current equipment, which is ageing. He suggested that the high level of activity in the UK was at least partly the result of the UK tax system, in which up to 85 per cent of exploration costs can be covered by tax rebates. Future activity would be highly sensitive to changes in the tax regime.

Mr Jack Gregory, director and general manager of the exploration and production division at British Gas, said that British Gas was looking overseas to exploration and production in order to cope with the uncertainties in its UK gas supply business, where competition is coming into force. British Gas was hoping to establish production in the Soviet Union that could potentially lead to gas sales into the UK. British Gas would also be looking to sell the output of North Sea fields direct to other gas distributors or end users. Mr Gregory said British Gas expected that 10 gigawatts of gas-fired power stations would be on stream by the end of the century, consuming 20 per cent of UK demand a day.

Mr William Cairns, chairman of the International Council on Oil and the Environment, highlighted the critical issues of environmental pollution facing operators in the North Sea. Mr N J van Dijk, general manager of Nederlandse Aardolie Maatschappij, a joint venture Shell/Exxon company, discussed what he saw as excellent exploration prospects on the Dutch continental shelf.

PARLIAMENT

Pöhl argues case for strong central bank for Europe

By Anthony Robinson in London

MR KARL OTTO POHL, who as president of the German Bundesbank is now responsible for monetary discipline throughout the two Germanys, yesterday argued the case for a strong, independent European central bank and a single currency.

Effective monetary union he said, when appearing before a House of Lords committee in London, requires a powerful institution "which has to be independent of national governments and the European commission. For such an institution to be effective it has to take a medium-term view and needs the necessary instruments."

"It must have sole control over the price and quantity of money and have sole authority in monetary policy."

He cited the US federal reserve and the Bundesbank itself as "powerful, centralised institutions whose decisions have to be implemented without any modification" as models for the future European central bank.

In this he was supported by Lord O'Brien, one of two former governors of the Bank of England present, who said it was "simply impossible for 12 central banks to work out monetary policy."

Mr Pöhl emphasised the importance of improving public awareness of the progress made thus far towards monetary union and the significance of the European Commission's decision to hold an inter-governmental conference later this year to amend the Treaty of Rome.

"As I understand it the idea is to change the treaty so as to create the legal framework for economic and monetary union," he said.

Describing progress towards monetary union as "a revolutionary process, not a revolutionary act" he noted that a great deal of national sovereignty had already been given up through the abolition of capital controls in most community countries and the high degree of convergence already reached by countries inside the exchange rate mechanism (ERM).

Asked by Lord Addington, the committee chairman, whether convergence would speed up after the start of phase one of the Delors plan on July 1 Mr Pöhl noted that membership of the ERM had already helped convergence by obliging members to submit to the discipline exerted by the D-mark as anchor of the system.

Karl Otto Pöhl

Noting that external D-mark holdings now totalled DM800bn Mr Pöhl said that foreign investors and the German people would not be satisfied with a new European Central Bank unless it was at least as successful as the Bundesbank in safeguarding the value of the currency.

Mr Pöhl was not asked his views on the timing of the UK's future entry into the ERM but he noted that membership was a "unilateral decision." But, he noted, "the terms have to be negotiated among the central banks as the ERM is an agreement between central banks."

The Bundesbank president politely but clearly showed his doubts about the "hard-ECU plan" proposed recently by Mr John Major, the UK Chancellor of the Exchequer. Describing it as "a very sophisticated proposal which I am not sure I fully understand," he added that his first reaction was that "it does not solve the problem. It is not very helpful to add a 13 th currency, it will complicate the question of monetary union and lead to confusion in the markets between the existing "basket-ECU" and the proposed "hard-ECU."

Thatcher hedges on timing of ERM entry

By John Mason

MRS Margaret Thatcher, the Prime Minister, yesterday refused to give any indication of the precise timing of Britain's entry into the European exchange rate mechanism, in spite of a forecast by Mr Karl Otto Pöhl, president of the West German Bundesbank, that this would take place "soon."

During questions in the House of Commons, she stressed that Britain was committed to joining the ERM, but strongly underlined her continuing opposition to a single currency and European central bank.

Mr Paddy Ashdown, the Liberal Democrat leader, challenged Mrs Thatcher over Mr Pöhl's comment on Monday that Britain's insistence on joining the ERM "when the time was right" meant "soon."

The Prime Minister replied: "I would not disagree that we are bound to join the ERM. We have accepted that. We shall join when the time is right.

"I do not know what he (Mr Pöhl) means by soon. I could agree or disagree depending on what it means." She repeated that Britain would join when the conditions agreed at the Madrid summit were met. However, Mrs Thatcher then pointedly rejected Mr Pöhl's support for a central bank.

Mrs Thatcher said both a single currency and central bank with an unaccountable board of governors had been "totally rejected" by the Commons when it debated Stages 2 and 3 of the Delors proposals.

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LAW

Car valuation date depends on loss

IBL LTD v COUSSENS
Court of Appeal (Lord Justice Neill, Lord Justice Nicholls and Lord Justice Butler-Sloss): June 27 1990

DAMAGES payable as an alternative to returning converted goods are awarded to compensate for loss actually sustained, which varies from case to case; and accordingly, the date at which to value the goods for the purpose of calculating damages depends on the circumstances and is not necessarily the date of conversion or date of judgment.

The Court of Appeal so held when allowing an appeal by the plaintiff, IBL Ltd, from part of a judgment of Mr Partick Bennet QC sitting as a High Court judge, ordering the defendant, Mr Coussens, to pay £65,000 to IBL for retention of two company cars after termination of his employment.

LORD JUSTICE NEILL said that until February 19 1988 Mr Coussens was chairman of IBL.

In 1987 control of IBL passed to Inspectorate International SA and its subsidiary, Meridian Group Services. IBL bought *an Aston Martin and a* Rolls-Royce for Mr Coussens' use.

Soon after IBL had been taken over, difficulties arose between Mr Coussens and the new owners, and he was dismissed.

On January 20 1988 Meridian wrote to Mr Coussens giving him the option of returning the two cars or buying them for £62,000 by the end of January.

Mr Coussens did not return the cars or pay by the end of January. On February 4 Meridian wrote again extending the offer for seven days. It said that in the event of a cheque not being received within that time, the company would recover its property.

On August 18 IBL issued a writ claiming an injunction requiring Mr Coussens to deliver up the two cars, and damages for breach of contract and/or conversion.

Deputy Master Rose ordered Mr Coussens to give up possession within 28 days, under RSC Order 14 rule 9.

Mr Coussens retained the Aston Martin. He returned the Rolls-Royce.

Mr Patrick Bennett QC sitting as a High Court judge dismissed an appeal by Mr Coussens, and ordered him to (1) return the Aston Martin, or (2) to pay IBL £62,000 in which case IBL was to deliver up the Rolls-Royce and registration documents for both cars to him.

On the present appeal IBL did not seek the return of the cars, but argued that the judge erred in giving Mr Coussens the option to retain them on payment of £62,000. It was argued that £62,000 merely represented the figure at which IBL had offered to sell the cars to Mr Coussens in February, which offer had been refused, and that the cars had substantially increased in value since then. It contended there had been a continuing conversion of the cars and that damages for that conversion should be assessed on the basis of the value of the cars as at date of judgment.

For Mr Coussens it was argued that the cars were converted in February 1988 when Mr Coussens declined to return them to IBL. Their value then was £62,000.

The Torts (Interference with Goods) Act 1977 was enacted to amend the law relating to conversion and other torts affecting goods.

Section 1 provided that wrongful interference with goods should mean *inter alia* (a) conversion of goods (b) trespass to goods; (c) negligence so far as it resulted in damage to goods or to an interest in goods.

By section 2(1) the tort of detinue was abolished, so the only cause of action with which the appeal was concerned was conversion of goods.

Though detinue was abolished, the relief now available in proceedings for wrongful interference might include relief which would not formerly have been available in an action for conversion, but could have been claimed in an action for detinue.

At Common Law conversion was a purely personal action and resulted in judgment for pecuniary damages only. An action for detinue, however, was akin to an action *in rem* and was appropriate where the plaintiff sought specific restitution of his chattel.

The act gave the court the power to grant remedies in an action for conversion which previously would only have been available in an action in detinue. Section 3 provided that in proceedings for wrongful interference "(2) the relief is - (a) an order for delivery of the goods ... (b) an order for delivery of the goods but giving the defendant the alternative of paying damages by reference to the value of the goods, together ... with ... damages; or (c) damages".

The order made by the Master was in the section 3(2)(a) form. The order made by the judge was in the section 3(2)(b) form. Neither order provided for payment of consequential damages.

IBL argued that as the judge's order was in a form which could have been made before 1977 only if the action were framed in detinue, it was appropriate that damages should be assessed on the same basis as they would have been assessed in such an action. It followed therefore, it was argued, that the value of the cars should have been calculated as at date of judgment.

The 1977 act did not give guidance as to the date at which value was to be assessed.

In *Brandeis v Western Transport [1981] QB 864,870* Lord Justice Brandon re-stated the *general principle* that: "Damages in tort are awarded by way of monetary compensation for loss ... actually sustained, and the measure of damages ... may vary infinitely according to the individual circumstances of any particular case".

At the same time it was necessary to bear in mind that where the goods were irreversibly converted and not recovered, the general rule was that the measure of damages was the goods' value at time of conversion (see *BBMD v EDA Holdings [1990] 1 WLR 409*).

Examination of the 1977 act in the light of existing Common Law rules indicated that when making an award of damages under section 3, the court was faced with competing considerations.

Those included: (a) the fact that detinue had been abolished; (b) the fact that the remedies now available for conversion had in effect extended its scope to a proprietary claim; (c) the general rule that where goods had been irreversibly converted, value was assessed at date of conversion; (d) the former general rule that in detinue the value of goods detained was assessed at date of judgment; (e) the fact that after conversion the value of goods might fall instead of rise.

If one took into account all those considerations and the fact that several different remedies were available under section 3, it was not possible or appropriate to lay down any universal rule as to the date by reference to which the value of goods was to be assessed. The method and date of valuation would depend on the circumstances.

The case was concerned with an order under section 3(2)(b).

When damages were assessed it would be necessary for the court to: (1) decide whether, if the cars had not been converted, IBL would have kept and used them or would have disposed of them; (2) decide whether, if the cars would have been kept and used, IBL could and should have obtained replacement cars and, if so, when; (3) if (a) the cars would have been kept and used, and (b) if it was decided that IBL was under no obligation to obtain replacements or would have been unable to do so, the court would assess damages in the light of those findings – damages on that basis were likely to be assessed by reference to the value of the cars at date of judgment; (4) if the court decided that the cars would not have been kept and used or replacements could and should have been obtained, an earlier date should be used for calculation of damages; (5) calculate any damages suffered by reason of loss of use of the cars between date of conversion and the date ascertained in accordance with (3) and (4).

The appeal was allowed. The matter was referred to a Master for calculation of damages.

LORD JUSTICE NICHOLLS, in a concurring judgment, said that the sum payable as the alternative to returning the two cars was to be calculated by reference to value at such date as would fairly compensate IBL for its loss if Mr Coussens chose to pay and keep the car.

Lord Justice Butler-Sloss agreed.

For Mr Coussens: Steven Gee (Herbert Smith)
For IBL: Richard Lord (Frere Cholmeley)

Rachel Davies
barrister

Corporate governance

Why the ideal board remains so elusive

Simon Holberton considers the role of non-executives and the institutional shareholders in the 'short-termism' debate

If there is one thing that last week's Department of Trade and Industry conference on short-termism, the City and industrial innovation underlined it was that the issue will not go away.

Despite the rather muscular dismissal by Nicholas Ridley, the secretary of state at the DTI, of many of the solutions to the perceived excesses of the City, those looking for action know that nothing is forever, especially the tenure of the DTI's highest ministerial job.

But one of the ideas which the secretary of state did embrace — the creation of institutional shareholder committees to nominate non-executive directors — was seen by interested parties as a non-starter. The notion of a committee of institutional shareholders proposing and disposing of directors for Britain's companies appears to find little support among those most interested in improving corporate governance and promoting active investors.

The opposition to Ridley's idea rests on the view that a director of a company is there to represent the interests of all shareholders, not just those who possess superior clout. A further objection is that of information; no single group of investors should have or be seen to have the opportunity of privileged access to a company's plans by way of a director representing their interests.

Yet for some there is a space between what Ridley has proposed and the outright rejection of it. This embraces both improving the structure and membership of boards of directors and provides for the use by large shareholders of their undoubted potential influence on management but it draws short of dictating who should join the board of a company.

Advocates of a more systematic policy towards corporate governance, such as Jonathan Charkham, adviser to the governors of the Bank of England, argue that industry's fear about the commitment of its shareholders could be lessened if companies brought more outsiders on to their boards of directors. Link this to a more active posture by institutions and it would foster trust, understanding and the adoption of a longer-term perspective by shareholders — or so the theory goes.

There is ample evidence that investors are concerned about the state of corporate governance in the UK. Earlier last month the Association of British Insurers published a discussion paper In it, the ABI expressed concern over the combination of the role of chief executive and chairman; advocated a greater role for non-executive directors; and called for greater transparency in the determination of senior executive remuneration.

A recent survey of executive pay and issues facing British board rooms, published by Korn/Ferry International, showed that companies moved quickly last year to increase the representation of non-executives on their boards.

During most of the 1980s, the non-executives occupied about a third of board seats; last year it shot up to 44 per cent and, for companies with sales in excess of £500m, the ratio was nearly 50:50.

The claim for non-executive directors is their independence. This is important when it comes to the determination of senior executive salaries and the evaluation of proposed management buy-outs. Equally important is the non-executive director's role in commenting on the company's corporate strategy where, the ABI says, "they can bring an objectivity and independence of view borne by outside experience."

The list of qualities a director needs are, however, such that some observers are left wondering whether the pool of potential talent is large enough to satisfy the perceived need for them, and why these exemplary persons are not occupied elsewhere actively managing successful companies.

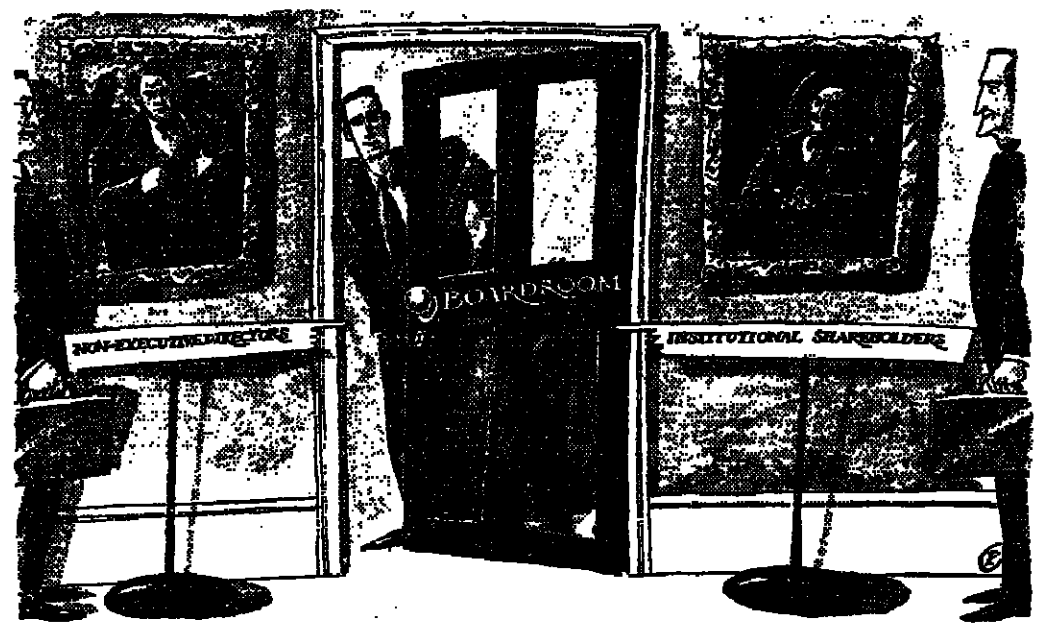
Paul Marsh, professor at the London Business School, says also that people should be realistic about what non-executive directors can achieve. "I suspect that if we got it right over night and then looked at British industry 10 years hence we would notice only a small improvement in the performance of industry."

He says the idea of taking non-executives on to boards is sold as a way of improving British business. In reality, however, non-executive directors are able to do little more than the albeit valuable task of asking questions and acting as watch-dogs over possible management excesses. "They don't have the detailed knowledge of the business to make informed decisions," he argues.

But in their role as watch-dogs, the Korn/Ferry study suggests that, on the face of it, boards of directors are working harder and monitoring more closely the activities of management. In 1980 only 13 per cent of UK companies reported having an audit committee, now 45 per cent have; in 1980, 36 per cent of companies had a remuneration committee, now 62 per cent have.

It is not surprising that the biggest area of growth should be remuneration. The 1980s have seen a huge growth in management literature on the alleged positive relationship between the enrichment of senior management and shareholder wealth, where shareholder wealth is defined as the year-to-year growth in a company's market capitalisation.

Senior executives receive bonuses for exceeded planned growth in a single year's profit before tax, bonuses which can amount to a significant percentage, or multiple, of base salary. Executives are also remunerated for succeeding in increasing a company's earnings per share above a specified threshold over periods of one to three years. Share option schemes encourage senior management to focus on the growth in a company's profits and share price.



Institutional investors have broadly supported senior UK management in these changes to remuneration. As investors, they too benefit from a steady growth in earnings per share. But it does strike many, on both sides of the City/Industry divide, as a little inconsistent for industrialists to bemoan the inability to invest for the future yet seek to be evaluated for purposes of remuneration on their success at generating short-term profit increases.

The Korn/Ferry survey also discloses a growing concentration of power in the hands of the executive chairman. Today 32 per cent of companies have the roles of chief executive and chairman combined; a year ago the figure was 25 per cent. Where a company has a non-executive chairman it is more than likely that he was formerly a full-time employee of the company.

The ABI's discussion paper pointed out that combining the roles "can give rise to conflicts and concentration of power."

James Shillingford, managing director of M&G Investment Trusts, agrees. "We feel strongly that boards of companies are appropriately structured and constituted with competent directors," he says. "We do prefer to see the roles of chairman and chief executive separated. While we are not convinced that the company's performance would necessarily be better we have seen, with a number of companies that have got into difficulties, that both roles have been combined."

The other leg to bolstering better, long-term relations between management and shareholders is for institutions to adopt a more active role. This is especially talked about in the context of detecting and correcting management failure before the bluntest instrument for correction — a takeover — becomes the only option.

Donald Brydon, managing director of BZW Investment Management and chairman of the Institutional Shareholders Committee, has suggested that institutions, through a formally constituted agency, evaluate an ailing company's business strategy. The analysis and options for change could form an agenda for discussion between shareholders and the company concerned. He envisages this approach being offered to only a handful of the most pressing cases.

It is too soon to determine whether Brydon will be able to generate enough support among his colleagues. Some senior institutional investment managers believe that it is not their job to manage companies they invest in. "One is not in the business of setting oneself up as alternative management for all and sundry," says one.

Possibly it is their sheer size and the mystique they are cloaked in but the power of institutions is often over-estimated. They find it difficult to co-operate — hence their collective power, which could be great, is rarely marshalled — and when they do intervene it is not always welcome.

As a top manager of one of Britain's biggest investors notes: "Our strength increases the weaker the company's position is. Until the company's strategy has been proved wrong all one is doing is simply exchanging opinions. You do need to be pretty sure of your position before you can push things through.

"The chance of doing something when the situation is quite clear is pretty good. But that means the situation has been deteriorating for some time. It is much more difficult when you express your views at an earlier stage, especially if the non-executive directors are prepared to back their executive colleagues."

The search for better relations and understanding between owners and managers is unlikely to end with one or more non-executive directors on the board of every British company.

It may be a useful step in that direction but, as Marsh of the LBS notes, the problems of British industry as it faces an increasingly international marketplace — problems of competitiveness, quality and excellence — are ones best addressed by the day-to-day managers. A watch-dog cannot do that, less so a group of investors which tries to prop up a teetering house of cards.

How Castrol is oiling Burmah's marketing wheels

Castrol, the lubricants group, this week completed its reverse takeover of Burmah Oil. This is not, of course, what happened technically, but it is not a bad layman's description.

Twenty-four years after Burmah bought Castrol from its founding family Burmah has finally made management changes and adopted a name reflecting the fact that Burmah is really just Castrol plus a few bits. Last year Castrol provided 67 per cent of Burmah's trading profit.

The changes, which put the stamp of Lawrence Urquhart, the incoming chairman, on the group, look tame. There is no revamping of company strategy. No grand expansion or contraction of the business. Yet the changes are the sort that can have a big impact on the way a company thinks about itself and how its managers work together.

The changes are twofold: a change of name and a unification of the group's central office structure aimed in part at eliminating the separate status of Castrol and intra-company rivalries.

The new name, Burmah Castrol, is aimed at retaining and combining the underlying strengths of both. Burmah Oil's original, and occasionally glorious, business as a small integrated oil company — Burmah owned the forerunner of BP when BP first discovered oil in Persia — is finished, but the name has a history and a certain recognition, if not nostalgia.

"We did feel there was a historic residue of valuable property in the name Burmah," says Urquhart.

On the other hand, by tacking on Castrol, Urquhart will increase investor recognition in the US. No longer will he have to introduce the company with a parenthetic apology: "By the way we're in the lubes business; we own Castrol."

Castrol is the world's second largest lubricants merchant; its bigger, and possibly only serious global, competitor is Shell, by many measures the world's largest oil group.

Castrol is first and foremost a marketing company which has succeeded internationally not so much by dint of a single marketing strategy, but rather on the basis of quality management that has adapted strategy to individual countries, products, and industry sectors. Burmah believes it has continued to claim a larger share of a stagnant market for lubricants because its competitors are too busy with other, bigger parts of their own businesses.

The "Castrol is best" spirit which infused the company, however, did not make for an easy integration with the Burmah group, even after Burmah's strategy had focused principally on adopting the ingenuity of Castrol marketing. "It may seem surprising, but 24 years after the acquisition of Castrol there is still a Castrol faction," Urquhart says.

The most important structural change is the merging of the Castrol and Burmah head offices, and the establishment of three international business groups: lubricants, chemicals, and fuels.

Jonathan Fry, the Castrol chief executive who became group managing director, says: "We've virtually got two worldwide head offices. We found they were tripping over each other." Urquhart, as chief executive, and Fry, as managing director, will share authority in a way that resembles the chief executive and chief operating officer relationship common in the US and recently adopted by BP. Urquhart will concentrate on the bigger picture, while Fry will manage day-to-day operations.

Urquhart described yesterday's moves as "slimming down for action." Burmah Castrol intends to grow by continuing to expand its lubricants market share in old and new markets, with the Eastern countries opening wide new vistas.

Burmah also hopes to find ways of pushing new products through the marketing networks in place, in the US, for example. "We have a management there who come right out of the toothpaste drawer," says Fry, speaking of the skill at mass marketing consumer products.

"If we are going to have a sensible chemicals group, it has to be bigger than it is," he says.

The aim of the restructuring is to eliminate a layer of management so that Burmah Castrol will be that much more flexible and responsive to the opportunities that arise. Says Fry: "This knits it together finally."

Steven Butler

TECHNOLOGY

An urgent plea to stop interfering

Without clear EC standards, Della Bradshaw says restricting electro-magnetic 'noise' is a difficult task for manufacturers

There was a time when the nail-biting, televised finals of the World Cup were threatened by fuzzy lines or "snow" drifting across the picture because a neighbour was catching up on repair work using an old-fashioned electric drill.

Although the drill makers have been persuaded to restrict this electro-magnetic "noise", many other equipment makers have not. Now political pressures are tightening the screw on the EC's electric and electronic equipment manufacturers and forcing them to restrict the amounts of electro-magnetic interference, or EMI, which emanates from their equipment.

New EC regulations, which should come into effect in January 1992, will affect products ranging from the most oily electrically powered industrial machines to the latest computer-controlled bathroom scale.

If manufacturers fail to comply with these electro-magnetic compatibility (EMC) standards they could face fines of thousands of pounds or even a spell in jail. For the business user the effects could be equally disastrous: if your computer or machinery does not comply to the standards then it could be closed down.

Although January 1992 marks the introduction of the new regime, no clear-cut standards for emission levels have been published. As a result manufacturers are being forced to guess about future EMI levels, knowing that they could back the wrong horse.

As John Chubb, manager of EMC Development at IBM's R&D laboratories in the UK, puts it: "Thousands of people – and I mean thousands of people – in hundreds of committees around the world are writing standards and we don't know which will be applicable. When you have 15 different standards to look at, how can you second guess?"

Many smaller companies, without the muscle or the bank balance of IBM, are simply hoping for the best. More are still barely aware of the new regulations says Digby Dyke, managing director of Charter Technology, of Worcester, the consultancy and design company. "In a lot of cases people still haven't got a basic understanding of the problem or of what the EC directive is," says Dyke, "let alone the implications of it."

In a bid to have some kind of standard in place before the 1992 deadline, the European electro-technical standards body, Senelec, decided to publish a series of generic standards. The first two draft standards, published this month, cover domestic, commercial and light industrial equipment.

They address the problem from both directions. One standard covers electro-magnetic emissions. The other covers immunity to emissions generated by neighbouring equipment (nowhere else in the world requires that machines be designed to be immune to interference).

Manufacturers and test houses alike are unhappy about the draft standards because they lack careful definition. "Many of the standard writers are living in cloud cuckoo land," fumes Stephen Kirk, managing director of Radio Frequency Investigation, of Basingstoke, which tests equipment for EMI. "The generic standard refers to future standards, draft standards from other international bodies and some standards which are still in the committee stages and won't be ready for years."

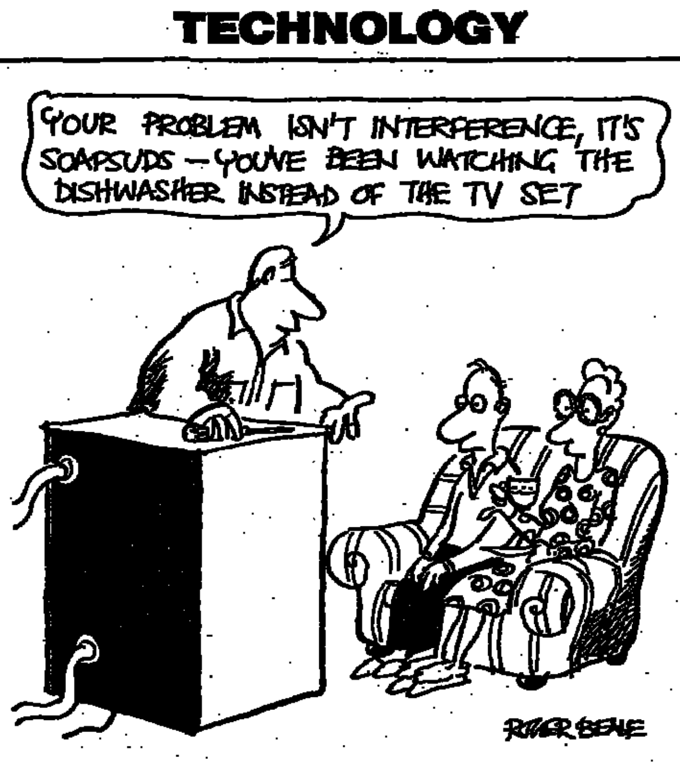
> **'If the computer on your desk crashes it is infuriating, but if that computer is controlling a set of railway signals . . .'**

Although the political impetus for the directive has been the unified market in 1992 and the need to ensure that equipment meeting a single standard can be sold right across Europe, many manufacturers acknowledge that there is an urgent need for such restrictions. The insatiable consumer demand for more electronic widgetry, at home and in the office – car telephones, radiopagers, facsimile machines and PCs, to name but a few – is producing a veritable electro-magnetic fog.

While the interruption to a favourite television programme is annoying, EMI can have far more serious consequences. It is even reputed to have rendered sensitive military systems inoperative and caused satellites to fall out of the sky. "If the stand-alone computer on your desk crashes it is infuriating," points out Kirk. "But if that computer is controlling a set of railway signals . . . well you can see the problems."

It was just such a problem which wreaked havoc for British Rail at Liverpool Street station in a period beginning at Easter 1989. Tired commuters from the City of London faced delays because of intermittent signal failure, a failure caused when the trains drew power from the overhead wires. Spurious electro-magnetic emissions leaked out, confusing the electronic signalling and making it shut down.

The challenge for equipment manufacturers is compounded because the restrictions will apply to all equipment brought into service in the EC after the January 1 1992 deadline – not just new products invented after that date. The manufacturer of the latest personal computer, mobile phone or domestic washing machine, for example, already has those products on the drawing board – if not in the shops. For heavy equipment makers, with longer development cycles, the problems are manifestly greater.



The good news, says Kirk, is that equipment makers are now turning to test companies for help during the design phase of the products. Tackling the problem at the design stage is the only real solution, says Chubb. "If you build it first and then try and fix it, it is very expensive indeed."

For multinational companies such as IBM, EMC and EMI are more than European buzzwords. Because their products have been designed for the international marketplace, they all comply with the strictest regulations, such as in West Germany and the US.

Companies without the resources to dedicate teams of people to the job should not be disheartened, says Kirk. "We recommend that one person within the company should be given the responsibility of implementing the directive. Either someone should be identified for special training, or someone should be recruited specifically to do the job."

One such person is Darren Owen, electronics engineer at Four Square Drinks, part of the Mars group, which makes drink dispensing machines. "EMC is a critical design criteria, just as safety is," says Owen. "You have to keep mentioning it, and keep trying to get it into the design strategy."

This will be particularly important because most of the impending legislation will be based on self-certification, with companies certifying that their products comply with the regulations.

Some of the biggest problems of electro-magnetic waves – moving electrical charges invariably produce magnetic forces, and vice versa – come with the ubiquitous microprocessor, says Kirk. Because the digital signal is a square-shaped "on" or "off" signal it takes up more bandwidth than the older analogue signals. As a result there is more potential for interference to leak out.

The design challenge is to map out the microprocessors and the linking circuitry on the circuit boards in such a way that they do not interfere with each other. Shielding materials are a second tool, used particularly on cabling.

Even then the problems are not over. "A good digital engineer may design a printed circuit board in such a way that it may not, in itself, cause emission problems," says Dyke. "But when it is configured into a system, that system may be a problem. Cables can often act like antennae and radiate or become susceptible to emissions."

Although 1992 is approaching rapidly, manufacturers and test houses believe it is unlikely that legislative chaos will ensue. Instead they think it will take two or three years for the policing activities to match the vigour of those in, say, the US.

There, computer makers live in trepidation of FCC inspectors swooping down at trade fairs and scooping up armfuls of computer hardware which fail the stringent regulations.

WORTH WATCHING
by Della Bradshaw

Update on ozone friendly coolants

AS political pressure to eliminate the use of ozone-depleting chemicals in refrigerators and air conditioning systems continues to grow, a clutch of announcements have been made by companies around the world, all eager to jump on the "green" bandwagon.

● Sanyo Electric, the Japanese domestic appliance maker, is developing a refrigeration system that does away with chlorofluorocarbons (CFCs) by replacing them with hydrogen.

In today's domestic refrigerators, the CFC-based coolant absorbs heat from the food in the refrigerator, which causes it to boil (at just a few degrees centigrade) and turn into gas. As the gas is compressed, in a compressor, the temperature is pushed up. That heat is dissipated into the kitchen and the gas then expanded again. This cools it to a very low temperature so the cycle can be repeated.

The Sanyo design uses a hydrogen-absorbing alloy. It has no compressor. In the presence of hydrogen under pressure the alloy absorbs hydrogen and gives off heat. When the pressure is lowered or heat added to the alloy, it releases hydrogen and absorbs heat. So by applying heat to the alloy it can be used to keep food cold.

● Electrolux, the European refrigerator maker, has begun selling a compressor which works on a refrigerant, HFC-134A, which does not harm the ozone layer.

The compressor will be used in Electrolux's own brands, such as Zanussi, as well as being sold to other fridge makers. The Swiss company Hermann Forster, of Arbon, is already using the compressor in its prototype. Domestic fridges containing the new compressor are expected to reach the shops next year.

The key to the Electrolux's new compressor was the successful development of a synthetic "ester oil" to replace the mineral oils which lubricate CFC-based compressors but are incompatible with HFC-134A. Electrolux says its ester oil is biodegradable in the environment.

● At the industrial air conditioning end of the market York International, the refrigeration specialist, is using a replacement chemical, HCFC-123, developed with Du Pont, the international chemicals company. York says it has only 2 per cent of the ozone depleting potential of a CFC.

The first implementation in the UK of an air conditioning system using the new chemicals is in London's Broadgate centre.

Plastic bottle keeps it fresh

KEEPING sauces, beer or baby food fresh usually involves storing it in a glass rather than a plastic bottle, as most plastics allow oxygen to seep slowly through from the air into the food or drink, allowing bacteria to grow.

But Airco Coating Technology, a US division of the BOC Group, has developed a coating which reduces the rate at which oxygen seeps through a plastic bottle by more than 70 per cent.

The quartz-like coating, known as QLF, is less than 12 millionths of an inch thick. It is applied to the outside of plastic containers and flexible polyester film packaging using a plasma vapour deposition technique.

The transparent silicon-based coating only slightly increases the cost of plastic containers made of polyester terephthalate (Pet), says BOC. In addition, QLF-coated bottles can be recycled without any special treatment.

The technology will be marketed worldwide by Eastapac, a joint venture between the Eastman Chemical Company and BOC.

Identification at your fingertips

DNA fingerprinting makes it possible to identify individuals according to their genes, writes Clive Cookson.

Applications of the technique for medical, scientific, legal and forensic purposes are expanding rapidly, but a growing problem is the shortage of experts who can assess how well two fingerprints match – and differences in opinion between experts are leading to costly legal disputes.

PA Consulting's Cambridge Laboratory has developed a new genetic fingerprinting process which could help solve these problems. It uses an image processing computer to enhance and match up the pattern of bands (which can look like a very dirty and smudged bar code in a supermarket).

The key algorithms (mathematical programs) for the process have been drawn from PA's industrial automation work. Algorithms originally devised for inspecting food products were adapted for the enhancement stage and algorithms for speech recognition form the basis of the matching and recognition stage. The process can work either with existing "DNA probes" or with a new "probe-less" genetic test invented by William Bains of PA's Biotechnology Group.

Doubling up on video recorders

FOR people for whom a single videorecorder and two satellite television companies are simply not enough, Amstrad, the UK consumer electronics manufacturer, has developed a double-decker videorecorder.

The Double Decker, which will be on sale in Europe from the autumn at a cost of £399.99, will enable square-eyed viewers to watch one recorded programme while recording another.

Other uses are for particularly long programmes – one tape will follow on from the other, allowing up to 16 hours of playback time – and for those with the latest miniature video cameras. Because they record on to the smaller 8mm video tapes, rather than VHS ones, the camera itself has to be plugged into the videorecorder in order to view the tape. With the Amstrad system, the pictures on the 8mm could be re-recorded on to a VHS tape.

Contacts: Sanyo: Japan, 06 991 1181. Electrolux: Italy, 0434 393252. York International: US, 717 771 1890; UK, 0268 287676. Eastapac (BOC): UK, 0276 77222 ext. 5942. PA: UK, 0763 261222. Amstrad: UK, 0277 228888.

TELEVISION

Opinion pieces

Some pretty odd things are happening to BBC journalism. Throughout its life, starting in the earliest days of radio, the BBC stood for the ideal of even-handedness. No sane journalist ever believed that wholly objective journalism was possible so long as it was practised by fallible, emotional human beings, and anyway the very business of choosing one subject and rejecting another, or selecting one news item at the cost of another, is itself a subjective process. The important difference is between those who accept this yet try to get as close as possible to the ideal of objectivity, and those who do not. The BBC were always among those who did.

Now, however, influenced perhaps by the *Opinion* and *Comment* slots on Channel 4, the BBC is begining to broadcast various sorts of one-sided journalism but, whereas Channel 4 has always been very careful to label its opinion pieces as such, the BBC is far more lax. This is particularly odd and worrying when it represents a radical departure from the habits and principles of 60 or 70 years. The minority who carefully read billings in *Radio Times* (now more clearly laid out than ever before, but abandoning more and more production credits) will know that the BBC considers the series *Where On Earth Are We Going?* to be "six personal views by Jonathon Porritt."

It is a moot point whether anyone else will realise this is the idea, yet during the opening programme no viewer could miss the fact that this was polemic rather than even-handed reporting. Phrases such as "we should ... governments should ... we ought ... we must" littered Porritt's script (as did the assertions that we are "literally addicted" to fossil fuels, and enveloped in "smog;" perhaps Porritt is too young to remember smog). It is interesting that the person given six chances to air his opinions happens to promote precisely the sort of green politics which were preached so enthusiastically throughout the BBC's so called "One World Week" in May. When does the BBC intend to give equal time to other political attitudes on the environment – or have they decided that on this as on Aids they will simply proselytise one questionable point of view?

★

Having started out merely grubby, the BBC's policy on Aids is steadily turning into something more shameful. In the beginning they suppressed the *Horizon* programme made by award-winning producer Fisher Dilke. With an eye to the way in which Aids has been most commonly passed on in the US and the UK this programme seeks to explain in a straightforward way just what it is that some homosexuals do. It was shelved in March 1986 and has never been broadcast. Now the BBC is showing programmes which set out deliberately to worry the heterosexual majority even though the producers know perfectly well what the true figures are - or presumably they do.

Either Anna Jackson, producer of BBC2's *Facing Up To Aids*, knew the statistics and chose to withhold them, or she did not know them in which case you wonder why she is allowed to make such programmes. Her final claim was this: "You can become infected with HIV through vaginal sex. The number of people in the UK known to be infected through heterosexual intercourse nearly doubled during 1989." Quite so. But why did she so carefully avoid giving actual figures? Could it be because viewers would then have looked with incredulity on her decision to feature only infected heterosexuals in her programme?

Up to the end of January 1990 the number of people in Britain with Aids was 3021. Bearing in mind Anna Jackson's decision to choose only heterosexuals to illustrate this problem, guess how many of those cases involved infection by heterosexual intercourse without other risk factors (bisexuality, drug abuse, etc): 2000 perhaps? Or 1500 at any rate? The answer is 16. The figure for homosexuals is 2433. These figures do not mean there is no risk to heterosexuals, nor does it prove beyond doubt that there will be no epidemic among the general population. But once viewers have been given those figures they are likely to see BBC scare programmes in a very different light. The nannyish decision to exclude such figures says much about the current standards of BBC journalism.

★

There is another policy matter this week on which we should stand up for the BBC: the decision to show the *World Cup* semi finals whatever ITV might do. Put yourself in the BBC's position. From the earliest days of British commercial television, experience has proved that, given the choice of watching the same sporting event on BBC and ITV, more people always choose to watch the BBC. This may indicate a deeply atavistic instinct to turn to Auntie on big occasions or, as I suspect, a wish to avoid the interruption of commercials. Either way, the BBC knows that more people want to see the football on their channel than on ITV. (They also know, incidentally, that more viewers will be attracted to the *World Cup* than to anything else they might show.) Why, then, should the BBC meekly hand alternate exclusivity to ITV? True, the unfortunate outcome is hour after hour of identical pictures from the Italian state broadcaster, RAI, on BBC1 and ITV, but that still leaves BBC2 and C4, not to mention umpteen channels on Sky and BSB.

★

Among television critics there is a powerful tradition of smashing to smithereens the nervously jealous assertion made by television practitioners (as by theatre people of drama critics, and film directors of cinema critics) that critics are merely aspiring practitioners who never made it. When you look at the ranks of former television critics, ranging from the most to the least serious – Dennis Potter, Bernard Levin, Philip Purser, Herbie Kretzmer (former *Daily Mail* television critic, now a rich man after writing the lyrics for *Les Misérables*) Barry Norman, Clive James, Nina Myskow – you realise the absurdity of the claim. Now Mark Lawson, television critic of the *Independent On Sunday* has joined the ranks. His report on the mid-Staffs by-election was not the best *Byline* documentary we have seen (unsurprisingly when you remember that Alan Bennett was an early contributor) but he made a better presenter than half of the supposedly professional presenters that you see on the screen these days. Even if he did say "reelly" like William Brown.

'Where on earth are we going?': Jonathon Porritt's view

★

There were some quite good lines in Episode 1 of *The Gravy Train*, Malcolm Bradbury's four-part comedy about EC bureaucrats in Brussels. Upon being told that the central Candide figure, Hans, had previously worked in the literary section of Unesco, sending Nietzsche to the third world, Spearpoint, a ravenously ambitious pen pusher, played as usual by Ian Richardson with seeming effortlessness, remarked that God had surely said Nietzsche was dead. The trouble is that the central situation – the wide-eyed idealist surrounded by free-loading cynics and seductive women – is so reminiscent of David Lodge's *Small World* that it is hard not to keep comparing this new work ... to its detriment. Perhaps tonight's episode (10.00 C4) will begin to look more original.

★

However, if your main aim is to laugh you are probably better off waiting till tomorrow night and catching *Waiting For God*, a sitcom written by Michael Aitkens (a new name to me) in which the endlessly watchable Graham Crowden plays Tom, a bolshie new arrival at an old people's home. It is significant that the home is not an NHS outfit but the fee paying type, so instead of all the familiar jokes about time serving civil servants and rule-riddled institutions, we have a far more Thatcherite style of gag. When asked by one of those patronising "carers" (Janine Duvitski; a superb bit of casting) "Have we had a little twinkle today or are we going to have to join the rubber sheet club?" Diana (Stephanie Cole) behaves like a customer and responds with blistering sarcasm. And when Tom goes to complain to the warden about the food he barks "Sit! This is *not* a discussion!"

Christopher Dunkley

The Kirov's Balanchine

COLISEUM

The Kirov Ballet is giving only three London performances – the first was on Monday night – of one of the most significant programmes it has ever presented in the West. The significance lies in the aesthetic and political implications of a triple bill which comprises two Balanchine ballets, and Oleg Vinogradov's adaptation of Stravinsky's *Petrushka* as a response to the ideas of *glasnost*. By acquiring Balanchine choreography the Kirov lays claim to a genius who left the troupe and school which formed him when he was 20 years old. Argument can rage about the "Russian-ness" of Balanchine's work, which was in essence a staggering New World development, during half a century, of what his Petrograd schooling had given him. The Kirov may see him as a native son (whose art would surely have atrophied under Stalinist aesthetics); America knows him as creator of a 20th century classicism that is still far in advance of dance creativity elsewhere, and out of sight of anything similar in Russia.

How the Kirov deals with Balanchine is, then, a matter of real interest. That the company should open itself to the example of his greatness is admirable, and must surely be a continuing process. That Kirov academism and New York City Ballet classicism are vastly different – the contrast fascinatingly pointed in last year's Holland Festival appearances by the schools of both troupes – merely restates a problem known to any ensemble which borrows from the Balanchine treasury. Speed, musical acuity, rigour in execution, mark NYCB's style. By contrast, the Kirov offers aristocracy, a formal dignity, an exquisite variety of lightness and shifts in line and contraposto.

Balanchine's *Scotch Symphony* and *Theme and Variations* are well chosen by the Kirov. The first is a tribute to ballet's received ideas about the Highlands, from *La Sylphide* to reels, and on Monday it was excellently done. A pretty set and costumes, Yelena Pankova divinely light as the sylph appearing to Yevgeny Neff's young Laird, and Irina Chistyakova so fast and sure as the other female soloist, were part of a staging that looked both Kirovian and Balanchinian: not a compromise but an accord. *Theme and Variations*, which Balanchine made in homage to the world of the Kirov/Mariinsky Theatre, came off slightly less well. As polished over the years by NYCB performance, it has such clarity of utterance that the more opulent (and slower-footed) Kirov manner loses something of the rhythmic spring of the dances. There are, even so, real merits to the Leningrad view (and a stunning set showing the interior of the Kirov Theatre): the dance looks luscious in outline through variety of *epaulement*, and dignified. Larissa Lezhnina and Kirill Melnikov were youthfully daring in roles that still ring with the authority of Alicia Alonso and Igor Youskevich, their creators. And, of course, an additional virtue of the Balanchine acquisitions is that they reveal the values of a true modern classical style to dancers whose previous repertory experiences have included the debased manner of Maurice Béjart.

Béjart's presence is to be felt in Oleg Vinogradov's *Petrushka*, which ends this programme. Originally staged last year for Scottish Ballet, it must first be understood as a Soviet artist's response to the vast changes taking place within his society. And by understanding the extreme tensions of this political situation one may, perhaps, excuse the sheer awfulness of the ballet. The Fokine/Stravinsky/Benois *Petrushka* was the perfect masterpiece of the Diaghilev Ballet, music indivisible from choreography, dance unthinkable without decor, each element an extension of its companions. Vinogradov's expressionistic romp has to do with Petrushka as spirit of an oppressed and ultimately triumphant populace, I expect. It offers the agonisings and scamperings I associate with his choreographic process, plus the gimcrack philosophising (and the cuteness) that is part of Béjart's stock in trade. But the constant denial of Stravinsky's score – so explicit in drama and pictorial effects - and the blatancy of creative means make it insufferable. Andris Liepa was cast as Petrushka and gave of his all. The Kirov is, in many aspects of its repertory, a glorious museum of Russian ballet: it owes sufficient debt to Mikhail Fokine to acquire the real *Petrushka* as amends for this staging.

Clement Crisp

Operas in St Louis

A visit to St Louis for what is in effect if not in name its summer opera festival provides annual and unfailing pleasure. The performances are always lively, fresh, committed. There are new young singers to hear. (Ashley Putnam, Jerry Hadley, Dawn Upshaw, Vinson Cole, Thomas Hampson, Sylvia McNair are among those now famous who made early St Louis appearances.) The operas play in a small theatre set amid lawns and trees. By day there is the handsome city itself to explore and enjoy, with its noble park, fine botanical gardens, excellent art museum, famous zoo, and seemingly inexhaustible richness and variety of architecture (including buildings by Louis Sullivan and H.H.Richardson).

The Symphony plays in a 1925 movie palace, Versailles-inspired. (The city, named for Louis IX, was founded under Louis XV.) Civic enterprise is restoring quarter after quarter to liveliness and splendour. Each year there are old favourites to revisit and new things to see. On my list for next year are a Noguchi ceiling in the U-Haul Moving Center, the Cherokee Cave beneath a brewery now become a shoe factory, a dozen churches, and modern Cahokia.

My extra curricular discovery this year was old Cahokia, a former Indian city across the Mississippi from St Louis which it flourished from 900 to 1400 A.D. The place today is a vast park, romantic and beautiful, studded with grassy mounds. As one ascends the largest of them – an earthwork bulkier than Egypt's Great Pyramid – modern St Louis, with Saarinen's Arch and the later skyscrapers, becomes visible in the distance.

The Opera Theatre repertory this year was *Peter Grimes*, Dvorak's *The Devil and Kate*, Donizetti's *Daughter of the Regiment*, and *Figaro*. The Dvorak is an opera of considerable lyrical charm but, like Rameau's *Platée*, it has modern problems: the heroine is so fat, unattractive, and garrulous that even the Devil can be persuaded to renounce his designs by the threat of having Kate as his companion in hell. A London University production, many years ago, was tactful and charming. The spirited St Louis production, staged by Francesca Zambello and conducted by Richard Buckley, hit the work so hard, so rowdily, so shoutily, that one felt more battered than charmed.

Peter Grimes, produced by Colin Graham, was also over hectic. Martin Thompson played Grimes from the start as a dangerous, violent lunatic. He sang accurately and strongly. Ellen Orford's inadequacy as his possible saviour was stressed in Christine Brewer's performance by a steely quality in her voice – very different from Joan Cross's warm, tender tones – when it rose. Kenneth Kiesler, conducting, tended to push things a little too hard. Some of the Sea Interludes were mimed: in "Storm," Grimes was pursued by swirling furies, a vision of Ellen appeared at the "What harbour shelters peace" theme, and then the dead boy rose up between him and her; "Sunday morning" was a procession to church animated by little "cameo" performances. Modern producers are reluctant to let a composer set the mood and paint a scene, to let an audience listen.

Nevertheless, the opera made a great impression. The faults were those of passionate over-enthusiasm and over-emphasis. It was exciting to hear the work again in a small house, with orchestral and choral forces close to those of Sadler's Wells in 1945. Good performances from Laura Brooks Rice (Mrs Sedley), Harlan Foss (Balstrode), Matthew Lord (Boles), and Richard Rebilas (Ned Keene).

The Donizetti was prettily done. It was attractively set, by Richard Isackes, in a late-19th-century Tyrolean valley traversed by a toy train. Tracy Dahl was a hoydenish heroine, without the dainty charm for which Jenny Lind and Patti were celebrated, but her spunky high spirits and fleet, confident (if at times strident) coloratura carried the day. Stanford Olsen, a Met Mozart and Rossini tenor, was a vocally polished Tonio. He used words well. He was never needlessly loud. He is a pleasing artist, a potential world star, but should lose weight if he can do so without losing voice. Elaine Bonazzi, a witty performer, was entertaining as the Marquise (a role created for Donizetti by Nadia Boulanger's grandmother). Stephen Lord's conducting was more energetic than graceful.

Figaro was sung (largely) in my English translation, which need not, however, stop me from praising Thomas Lynch's finely proportioned, admirable sets. Stephen Wadsworth's production was nicely serious until Act 4 went out of control and "Contessa, perdona" was greeted with laughter. Rebecca Abrams, the Susanna, was enchanting of presence but vocally untidy and inaccurate; if her voice, which is of pleasing natural quality, can be schooled she should go far.

Reservations, then, about all four shows. But not a moment of boredom. No trace of the routine that dulls so much American opera. Next year's St Louis shows are *Eugene Onegin*, Mozart's *Mitridate*, *Ariadne auf Naxos*, and the Leoncavallo *Boheme*.

Andrew Porter

'Figaro' put in the front line position

The demythologising of Mozart continues. It is more than ever necessary since the *Amadeus* film – splendid entertainment, to be sure, but as Volkmar Braunbehrens says, with little exaggeration, "not a single word, scene, or location, to say nothing of the behaviour and appearance displayed by the film's characters, has anything at all to do with historical reality."

It is this historical reality that he sets out to investigate, setting aside the accretions of tradition over 199 years of biographical studies, many of them written in a spirit of roseate adulation.

He begins by untangling some of the facts surrounding Mozart's departure from the Salzburg Prince-Archbishop's service. Did he jump or was he pushed? The only evidence we have is Mozart's own, from his letters to his father, and Braunbehrens takes a hard critical look at Mozart's self-justifications. He examines the social set-up in Vienna and the sources of patronage Mozart tried to tap. He goes into the history and standing of Freemasonry there during the 1780s, and this gives him a basis for some interesting new conclusions about Mozart's relationship to it during his last years.

Most important of all is his examination of Josephine reform – Joseph III's reign coincides almost exactly with Mozart's Viennese years – and its reception. The conservative Viennese did not much like it; even its beneficiaries in the middle and lower social orders were not too keen, it seems, since Joseph was an extraordinarily despotic reformer, pushing through his own wilful and often eccentric ideas without regard for whether they were wanted. When he died, at the beginning of 1790, he was virtually unmourned.

Braunbehrens re-examines at some length the matter of Mozart's alleged poverty. Everyone knows that Mozart had to borrow; but he was never poor in the sense that he or his wife was short of food or clothing – or even servants. Braunbehrens makes it clear that there are large areas we know nothing about, including for example what may well be some business speculation during his last years. But he always had a large income, very large compared with other musicians'. Historical economics is, however, treacherous territory for the non-specialist – if only because the cost of living is so hazy a concept in a society with heavy social demarcations – and Braunbehrens's conclusions, lacking the sophistication of the diagnoses by other writers, are sometimes suspect. A recent Royal Musical Association paper here (by Julia Moore) is far more precise and searching.

MOZART IN VIENNA, 1781-1791
by Volkmar Braunbehrens
Andre Deutsch £17.95, 481 pages

His ignorance of the English-language literature leads Braunbehrens into thinking that many of his ideas are newer than they actually are. He is not in fact abreast of Mozart studies of the last couple of decades and often trips up over facts, notably composition dates. Nor is he persuasive on the actual music, though he does have some perceptive or at any rate original things to say about some of the operas. On *Die Zauberflöte*, there are fascinating new ideas about character and motivation – some of them akin to those in the recent Peter Sellars Glyndebourne production, and just about as close to Mozart.

But his knowledge of the Viennese Josephine context for the operas does give rise to some worthwhile, or at least provocative, thoughts. Some may feel he is too apt to politicise. *Figaro* is in the "frontline position in defense of Josephine policy," he reckons, and he believes that Joseph actually encouraged it for its attitude to the aristocracy – further, that the aristocracy themselves boycotted it.

The additional implication is that Mozart is a far more political creature than we have assumed. This may be so, though scarcely a whiff of it escapes in his letters. Braunbehrens may, I think, often be wrong; but he does compel us to face questions that Mozartians have rarely asked before, and that is all to the good.

Stanley Sadie

ARTS GUIDE

June 29-July 5

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman (Louise Gold takes over on July 2). Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding fare (734 8951, cc 836 2428).

Jeffrey Bernard is Unwell (Apollo). Tom Conti is the alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing, Ned Sherrin directs (437 2663).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

Shadowlands (Queen's). Four-tissue weepie about the love affair between crusty Oxford writer C.S. Lewis and the cancer-riddled American poet Joy Davidman, which pushes both Nigel Hawthorne and Jane Lapotaire into the awards stakes. William Nicholson's play is irresistibly emotional. Elijah Moshinsky's direction is superb (734 1166/439 3849).

Henry IV (Wyndham's). Pirandello's cat's cradle of fantasy and reality, identity and time in a production by Val May the sobriety of which belies its pre-production hijinks. Sarah Miles left the cast, but Richard Harris stayed to give a star performance as the nobleman who thinks he is an 11th century king (071 867 1116).

New York

Cat on a Hot Tin Roof (Eugene O'Neill). Kathleen Turner, whose statuesque good looks embody Tennessee Williams' vibrant character Maggie, is surrounded by an excellent supporting cast in Howard Davies' production.

Grapes of Wrath (Cort). The Steppenwolf company's interpretation of the Steinbeck epic novel has taken a long time to reach New York from Chicago; the wait was worth it, with the 1930s brought alive in its squalor as well as its test of human strength. Gary Sinise as Tom Joad stands out in Frank Galati's adaptation.

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself (246 0102).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to at least shake the bones of this inert depiction of lives crisscrossing in an elegant, but somewhat random setting (246 0102).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including *On the Town*, *West Side Story* and *Gypsy*. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Starlight Express. Andrew Lloyd Webber's roller-skating musical slides into Washington on its national tour. Ends July 14. Kennedy Center Opera House.

Chicago

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

The Gospel at Colonus (Goodman). The season concludes with a visit from this widely toured spirited version of Sophocles, set in an Afro-American Pentacostal church. (443 3800).

Tokyo

South Pacific. Emile Belcourt and Gemma Craven lead the cast from the recent London revival of the Rodgers and Hammerstein musical. Koseinenkin Hall (587 5444).

Kabuki. Kabuki-za (541 3131). The matinee at 11am is a mixed programme that includes a spectacular lion dance, while the 4.30pm performance consists of the even more spectacular full-length play, *Tenjuku Tokube*, featuring magic and mayhem with kabuki superstar Ennosuke, master of the quick-change routine. Excellent earphone guide in English and English-language programme. Meanwhile, the National Theatre (265 7411) has a "kabuki classroom" that consists of a lecture demonstration (with earphone translation into English) followed by a performance of *Kozu no Ha (The Fox Princess)* – an excellent introduction to kabuki.

Noh. Atsumori, a play written by the 14th century noh master, Zeami; preceded by a kyogen comic interlude. With explanation (in Japanese only). National Noh Theatre. (Wed at 1pm) (423 1441).

SALEROOM

Top price for tapestry

A fragment of a tapestry woven near Basel in the 1430's and depicting a startled looking young man and woman in court dress sold for £638,000 at Christie's yesterday to the Swiss dealer Peter Kleiner. The tapestry will return to the museum in the canton of Aargau where it was woven over half a millennium ago. The price was an auction record for a tapestry.

During the 1430s Basel was home to a great religious Council which tried to sort out the problems of the Church. The delegates were most impressed by the wealth of the local burghers and their magnificent tapestries. This example was in the Benedictine Abbey at Muri until 1840 and then descended through the Vischer family. Tapestries of this date are very rare. Another fragment from the same series made £88,000 to Rubin, the New York dealer, but a third was unsold.

In an auction of works of art, which totalled £1.4m with 15 per cent unsold, the London dealer Johanna Barnes paid £209,000 for a Florentine bronze group of the 17th century depicting Diana discovered by Pan.

The Old Master drawings sale at Christie's was a great success, totalling £2.5m and with only 3 per cent unsold. The star lot, a watercolour by Hans Hoffmann, the 16th century German artist, showing two squirrels wrestling with a hazelnut, sold to Leggatt for £528,000, a record for the artist. For a long time the sketch had been attributed to Durer.

Two drawings by Ingres, one of a little boy, the other a study for the famous portrait of Madame Moitessier, went for £143,000 and £132,000 respectively, and the only known extant cartoon by the 17th century Italian artist Mola doubled its estimate at £52,000.

Phillips is selling the contents of Knockdow in Argyll, and yesterday had one of those rare experiences when a lot estimated at around £400 sold for £59,400. It was a Victorian album of views, including seven of Trinidad by Cazabon, the only celebrated local artist of the period. They were bought by a local Port-of-Spain dealer, Mark Pereira. Among Phillips Old Masters in London, a Venetian view by Marieschi, Canaletto's forerunner, sold for £132,000, way above estimate; another by the same artist also did well at £126,000.

Sotheby's was disposing of a good collection of arms and armour assembled over the last 30 years by Henk Visser. The first part brought in over £1m with 14 per cent unsold. Montgomery, the Californian dealer, paid £67,100 for a rare 1600 Alsatian double barrelled over and under wheel lock pistol.

Antony Thorncroft

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Priorities at the summit

THE leaders of the Group of Seven richest industrial countries have a unique opportunity to break the deadlock over world farm reform at their summit meeting in Houston next week. They cannot afford to fudge it. Otherwise the Uruguay Round of multilateral trade negotiations, which is already faltering, may slide towards failure.

President Bush has made the Uruguay Round a priority item on the summit agenda. He hopes for agreement on farm reform because it is now clear that the Round cannot succeed without progress on reducing aid to farmers which costs taxpayers and consumers in the industrial world the equivalent of \$240bn a year. Such is the political sensitivity of this issue in Europe that courageous decisions are required from heads of government.

A successful Round is needed more than ever to secure the future of the trading system on which the prosperity of the free world depends. Within grasp is a prize which should rightfully crown the triumph of western democracy and market orientation over the moribund planned economies of eastern Europe. Yet it can only be won if the leaders of the free world are prepared to override the sectional interests of their farm lobbies for the sake of the greater good of the system as a whole.

The world will be looking for a signal from Houston. All must change their ways, but in the light of his country's pivotal role in the European Community, special responsibility resides with Mr Helmut Kohl, West Germany's Chancellor. His Bavarian farmers are among the most truculent in their refusal to accept reform. Yet Mr Kohl has received noteworthy support from the US for German unity. He should now ponder, in return, the kind of world into which the German nation will be reborn, as well as the kind of leadership role it should be expected to undertake in Europe.

Regional stability

Germany's export success has not only made it one of the major beneficiaries of the multilateral trading system that has existed for over 40 years. Germany has also been one of its strongest rhetorical supporters. Moreover, it has much at stake in the political and economic transformation of eastern Europe as a whole. The task of attaining regional stability will be made all the harder in a world threatened by protectionism, commercial strife and economic decline. It will be easier if farm-producing countries like Poland and Hungary have free access to export markets for their products.

The best option for the summiteers would be to endorse as a viable framework for negotiation the latest proposals by Mr Aart de Zeeuw, the Dutch chairman of the Uruguay Round farm negotiating committee.

Essential elements

The de Zeeuw paper sets out the essential elements of a reform package which could be negotiated between now and the climax of the Round in December. These include ways of dealing with domestic support which would be reduced and uncoupled from production, and import barriers which would be converted into tariff equivalents. But, to European eyes, the most contentious part is the suggestion that export subsidies should be "reduced effectively more than other forms of support and protection."

This follows fairly closely the aspirations of the US and the Cairns Group of independent farm exporters. Europe has been fighting a rearguard action to avoid singling out export subsidies. The de Zeeuw paper does not say these should be eliminated and leaves open to negotiation the pace and depth of any cuts, but it is right to home in on them, not least because Europe is now becoming isolated on this issue.

Accepting the need to negotiate reductions on export subsidies is the key concession that the EC has to make if a deal is to be struck at the end of the Round. If the summit fails to make this plain, the prospects for the negotiations are grim.

There is no room left for empty compromise and anodyne expressions of good intent. Less than six months are left to go until the Round is due to end. Without speedy progress on agriculture there is a risk that developing countries may refuse to make concessions in the new areas of services and intellectual property. The US, too, may then abandon hope and walk away from the negotiations. The failure would be total. If heads of state in Houston bite the bullet, however, eventual success could yet be complete.

Capping the poll tax

The British Government is in danger of persuading itself that its community charge will evolve into an acceptable form of local government finance. This would be an error, based on a misreading of the current tide of relatively less awful news about the impost.

On Monday a Mori poll in The Times indicated that there has been a further fall in the level of public outrage about the poll tax. In March, as the first bills were awaited, some 49 per cent of those questioned put the tax at or near the top of a list of what they considered to be the most important issues facing the country. Last month the equivalent figure was 30 per cent. Yesterday the Secretary of State for the Environment, Mr Christopher Patten, won another legal victory, as his decision to place limits on the budgets of 21 local authorities was upheld by the Court of Appeal. In the House of Commons the Prime Minister suggested that she has been persuaded that the difficulties of collecting the tax are being overcome.

All of this lends strength to those members of the Cabinet who have sought to persuade Mrs Thatcher that no significant new legislative powers to curb local authority spending are now required. The Prime Minister may yet insist on extending Mr Patten's capping powers to include smaller councils with budgets below £15m; beyond that the Government seems inclined to restrict its palliatives to an increased grant to local authorities of some £2bn-plus, an addition to "transitional relief" for those most hard-pressed by the charge, and an assortment of technical changes.

Less damaging

Ministers who argue that such a package is unlikely to meet the concerns of Tory backbenchers are being met with the response that in Scotland the poll tax was far less damaging to the Conservatives in its second year of existence than it had been in its first.

The second round of poll tax demands in England and Wales is due in April next year. It is reasonable to expect that many councils will endeavour to keep the charge low. That supports the Scottish theory. Another element of the same theory, the unpopularity of the Labour Party's original proposal for a charge based on incomes and capital values, may not hold good in the south, since the Labour Party nationally is drawing its own conclusions from the Scottish experience. The Tories may, however, seek to regain the political initiative by floating the idea of abolishing county councils, leaving only one tier of local government, at district level. This would remove any doubt about the identity of the authority responsible for a particular level of expenditure.

Whole story

Like so much else about the community charge, such politicking is wholly bogus. It is true that many councils are profligate, and that Labour's propensity to spend is greater than that of the Conservatives. That is not, however, the whole story.

First, government subventions, calculated according to formulas made in Whitehall, can have a greater effect on the level of poll tax than any local decisions. Second, the community charge is regressive and therefore inequitable. Third, it has been devised without reference to the proper functions or structure of local government; abolishing county councils without consideration of local authority financing would constitute the same mistake in reverse. There may be a greater closeness to voters where councils are small but, as the experience of London following the abolition of the Greater London Council demonstrates, overall strategic authorities are necessary for traffic planning if nothing else.

In short, the Government may win a political respite, if its package succeeds with the Tory party – but, in the substance of the matter, it has lost the argument.

Economic opportunism is replacing military might on the map of north-east Asia, report **John Ridding** and **Robin Pauley**

Thaw reaches cold war's final frontier

Paris to Lyons: 266 miles in two hours by the TGV high-speed train. Tokyo to Osaka: 324 miles in three hours by the Shinkansen "bullet" train. But what about whizzing from Seoul to Manchuria and then on to frozen Siberia?

Seoul, Pyongyang, Changchun, Harbin, Khabarovsk and Vladivostock, once you have found them on a map, do not appear at first glance to have much to do with each other. Seoul is in economically liberal South Korea; Pyongyang in the hermetically sealed and communist North of the same country; Changchun and Harbin are provincial capitals in the icier part of the People's Republic of China; while Khabarovsk and Vladivostock belong to the equally chilly reaches of the Soviet Union.

But things have not always been as they now seem and, as the remarkable upheavals in eastern Europe have shown, today's order can change very rapidly. Forces are at work which could remodel the geo-political map of north-east Asia.

Economic opportunism is replacing military might. Parts of the great modern Soviet and Chinese empires do not necessarily perceive their main economic and cultural interests in the capitals which rule them, from thousands of miles away, much less share the ideologies of those empires. Siberia and southern Manchuria, for example, are of particular interest to Korean industry because of their rich mineral resources, substantial Korean populations, and their proximity. Regional complementarities and affinities transcend present borders.

Trade is already developing along these lines. Under a recent agreement, the Soviet Union is to supply uranium to South Korea, while the trading arms of Korea's large conglomerates are busy establishing Soviet outlets for their consumer goods.

South Korea is about to call for tenders for a high-speed train, with the French TGV system a leading contender, to run the 237 miles from Seoul to Pusan in the south. A similar route north would land in China. "A high-speed train could make the journey from South Korea to Manchuria in four hours," muses Mr Lee Hong-koo, special assistant to the President for political affairs.

Fanciful dreaming? Maybe, particularly with the not inconsiderable geographic hurdle of North Korea between Seoul and these two destinations.

In the 40 years since North Korean forces launched their surprise invasion of South Korea, the border which divides the peninsula has remained one of the iciest areas of cold war conflict.

But at the superpower level at least, the pattern of alliances in north-east Asia is now showing signs of change. The Soviet Union and China are paying more attention to developing commercial and economic links rather than insisting on fruitless ideological stand-offs. The most recent and most remarkable step took place last month when Mr Mikhail Gorbachev, the Soviet President, and Mr Roh Tae Woo, his South Korean counterpart, held the first meeting between leaders of their two countries.

Last year the Soviet Union and China ended 30 years of hostility with a Sino-Soviet Summit in Peking. North Korea and the US are also making some progress towards improving ties, Tokyo is seeking better relations with Pyongyang and there is the potential at least for warmer Sino-South Korean relations. Conceivably even the Soviet Union and Japan could finally end the Second World War by resolving the dispute over the occupied Kurile Islands.

How much progress will be made in easing the entrenched hostility between the two Koreas depends on Pyongyang's reaction to its increasing isolation and economic stagnation. What is already clear is that as the regional cold war eases, governments from Moscow to Tokyo and Seoul to Peking are starting to redefine their regional roles and objectives. The new economic pragmatism raises the prospect of a shift in the balance of power away from the military might of the Soviet Union and China to the economic power of Japan and, to a lesser extent, vibrant new trading economies such as Taiwan and South Korea.

It is these economic interests which have warmed up relations in north-east Asia. The Soviet Union's policy of disengaging from costly support of communist allies has reduced its willingness to bankroll the Pyongyang regime, to which it is the principal supplier of capital goods and military equipment. Moscow's closer economic links with South Korea, with bilateral trade doubling to \$600m between 1988 and 1989, have also encouraged closer political ties.

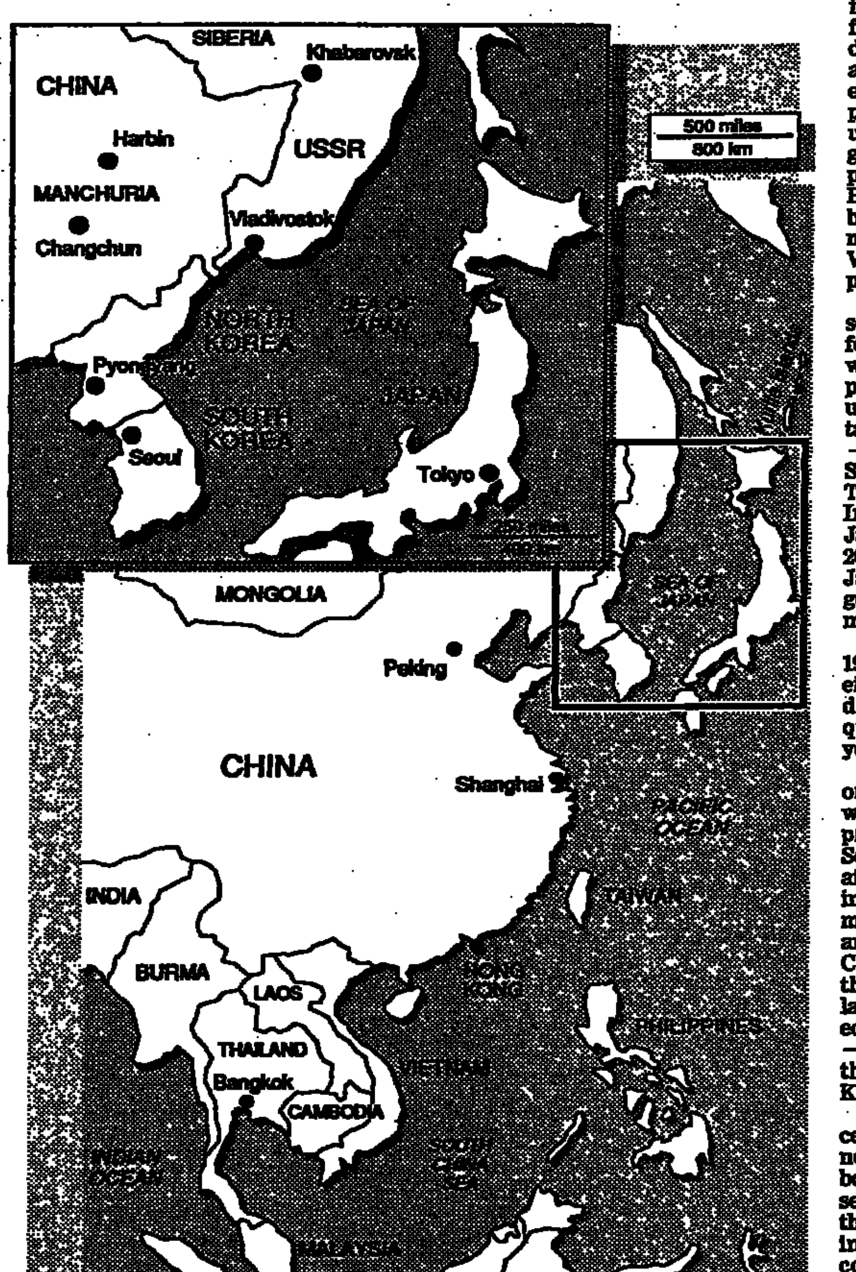
Similar incentives are working on China. Ties are slowly improving with economically more successful Taiwan and buoyant trade underscores the new view of South Korea. Bilateral trade last year exceeded \$2bn, almost four times the estimated level of trade between China and North Korea. While Peking has shown little response to Seoul's diplomatic overtures, it will be anxious not to be left behind by the Soviet Union in attracting Korean economic co-operation. Moreover, improved relations between Moscow and Seoul should increase Peking's diplomatic flexibility with regard to Pyongyang and help to encourage a more positive response from China's leaders. China has been very cautious about offending Pyongyang, not wanting to push the North Koreans towards the Soviets.

"Progress with China will be much slower than with the Soviet Union" says an official at the South Korean foreign ministry, "but we are basically optimistic. China has no reason not to improve relations."

For the US, too, economic considerations have combined with its regional security interests to foster a readiness to improve relations with North Korea. Budget constraints have prompted Washington gradually to reduce the 43,000 troops it has stationed in South Korea and consequently to try to achieve progress in easing tensions.

Whether such a goal can be achieved depends largely on the reaction of Pyongyang. It has shown a more conciliatory line towards Washington in recent months, the two sides negotiating successfully in Peking, for example, on the handing back of bodies of US troops killed in the Korean war.

But generally progress is slow. And the very fact that Seoul still has to try to bring pressure to bear on Pyongyang through third parties such as its communist allies is itself a reflection of the failure of bilateral initiatives. "The direct road to Pyongyang is completely blocked," President Roh admitted after his San Francisco summit with President Gorbachev. "We have to find an alternative route through Peking and Moscow."



Diplomats covering the region, and even South Korean officials, are cautious about the prospects for any immediate breakthrough. "Pyongyang's initial reaction has been one of anger towards Moscow and it will take time before we see a change in its stance," says one western diplomat. South Korea's goals are also relatively modest. "We are not aiming at revolutionary change, but even if we can open up North Korea to the level at which China is open it will be a major success," says Mr Lee.

This attitude is reflected in South Korea's policy of aiming for one national community or commonwealth rather than "reunification for one state" which was policy until last year. The difference is important. Seoul intends a gradualist improvement of relations starting with economic, commercial and cultural co-operation rather than pushing all out for immediate reunification. Comparisons with Germany are rightly discounted – East and West Germany never fought a war and have not endured the absolute separation endured by North and South Korea. But the pressures on Pyongyang are growing and many doubt the viability of the regime once Kim Il Sung, the 78-year-old "great leader", dies.

Even without immediate progress between North and South Korea, however, the forces for change in regional economic and security links are emerging. Mr Lee Hongkoo says: "Mr Gorbachev plans to visit Japan next year and will have to complete his game plan for the Asia-Pacific region. Japan itself has now reached a stage of sufficient wealth where it needs to think about what sort of neighbourhood it wants to live in."

Japan is very keen not to be seen to be assuming a leading regional security role. It is aware of the sensitivities concerning its previous military expansionism and even if it were not, the Taiwanese, the Koreans, the Chinese et al, are always ready to refresh the memory. President Lee Kuan Yew of Singapore, for instance, recently urged Europeans during a speech to businessmen in London not to leave Asia to the mercy of the Japanese.

Seen from Japan, which is anyway committed to providing its own defence of sea routes up to 1,000 miles from its coasts, there is no perceived threat requiring any new regional security framework. The Japanese are more interested in the pacific pursuit of peaceful relations through economic policies which they are increasingly willing to reinforce with their financial firepower. As the largest donor to Burma, Japan has halted all aid until a political solution consistent with the will of the Burmese people is in place; Japan has offered to underwrite a huge reconstruction programme for Cambodia but only after a political settlement of its civil war. Bangkok is awash with Japanese businessmen waiting for the right moment of stability for a "push" into Vietnam and Burma followed, less promisingly, by Cambodia.

Japan is equally reluctant to be seen as the region's economic leader for fear of evoking memories of the wartime Greater East Asia Co-Prosperity Sphere. But the facts and figures speak for themselves. Japan takes 25 per cent – the biggest share – of exports from the Association of South East Asian Nations (comprising Thailand, the Philippines, Malaysia, Indonesia, Singapore and Brunei). Japanese imports from Asia soared by 20 per cent last year to \$88bn and Japan has long been east Asia's biggest import source, supplying vital machinery and office equipment.

Japan overtook the US in the mid-1980s as the largest provider of foreign capital to the region, the flow of direct investment to Asia almost quadrupling to \$5.6bn in the four years to March 1989.

For South Korea, the long-term priority remains peaceful reunification with North Korea, but not at any price. With its economic muscle, Seoul has the stronger hand and can afford to await developments. Equally important for Seoul, however, is a maintained balance of power. "There are three large powers in the region: China, with the biggest population, the Soviet Union, with the biggest land mass, Japan, with the greatest economic might, and one small power – Korea." says Mr Lee. "If any one of the three becomes dominant then Korea becomes the first victim."

More immediately, Korea's concerns involve the development of economic links with its larger neighbours. Japan is already South Korea's second-largest trading partner (after the US), and *vice versa*, but Korean industry is pressing for increased co-operation through technology transfer and through combined research and development. In the case of the Soviet Union, the rapid growth in trade and investment schemes have been given a fresh impetus through last month's agreement to establish diplomatic ties.

Obstacles ranging from hard currency shortages to the non-convertibility of the rouble and the continuing risk involved in investing in the Soviet Union remain. As a result, the potential prospects open to Korean business are tempered by caution. "Korean companies are not rushing in with their eyes closed," says one western banker in Seoul.

None the less, there is little doubt about the direction of change and the economic gains which could result from the ending of the cold war schism in north-east Asia. "The time for dogmatism is over," says Mr Lee. "This is no time to be engaged in a cold war."

OBSERVER

Holdsworth gets Power

■ Sir Trevor Holdsworth says that he had already done his first piano exercises at 6.45 yesterday morning before he was telephoned with the final confirmation that he had been appointed chairman of National Power. He will chair his first meeting of the company tomorrow.

Richard Giordano, chairman and chief executive of the BOC Group, had more than a hand in the appointment. Giordano is a non-executive director of National Power and was for a time fancied for the chairmanship himself, though he has said recently that he will be more than happy to see out his working days with BOC and anyway might have been too expensive.

A lot of other people were mentioned for National Power as well, including Malcolm Bates, the deputy to Lord Weinstock at GEC. Bates was offered the job by the Government, but he was evidently persuaded by Weinstock to stay where he was.

Holdsworth was one of the first to be approached. He says that he turned down the job in February because he was still too busy being President of the CBI. He adds that he never had any problems about the salary, which turns out to be £185,000 a year.

Giordano renewed the offer – clearly with official approval – three weeks ago.

In the run-up to privatisation of National Power in eight months' time, Holdsworth sees the chairmanship as a "three day a week plus" job. He will be selling privatisation to the City.

Yet there is a lot more to Holdsworth than salesmanship and piano-playing. He was trained as a chartered accountant, spent a decade at Bowater, then turned around GKN from a basically metal-bashing company to a supplier of sophisticated automotive parts. He attends intellectual seminars on the future of industry and society in his spare time.

There is no doubt about his qualifications for National Power. Manufacturing has been part of his life, he says. "All the industries I have worked in have been intensive users of electricity: steel, paper and chemicals." He is also at home in the City.

Holdsworth will work alongside the National Power chief executive, John Baker, who might have been forgiven for thinking that he could do the job himself, given the difficulties of finding a chairman. Baker is philosophical about it: "The Government said that there must be a chairman."

Both Baker and Holdsworth believe in nuclear power, but want it to remain in the public sector for the foreseeable future – as indeed the CBI under Holdsworth's presidency recommended.

Holdsworth, now 63, will bring charm to a company which, in case you had not noticed, has been sponsoring the independent television coverage of the World Cup. Next year he will preside over National Power's international piano competition.

Walters back?

■ An advertisement for Professor Sir Alan Walters's forthcoming book, Sterling in Danger, in the Bookseller is perhaps pushing it a bit. Not only is it described as "the most important economic book of the decade;" the ad also states categorically that Walters "is Personal Economic Adviser to Margaret Thatcher." Still?

Cryptic Pöhl

■ Karl Otto Pöhl, the President of the Bundesbank, did not say "once sterling comes under the rules of the Exchange Rate Mechanism, which I expect to be the case soon" in his lecture to the Institute for Economic Affairs in London on Monday.

"I wonder which direction Lenin is turning in his grave."

Those were the words in his prepared text, but in his delivery the word "soon" was dropped. Since Pöhl had seen Margaret Thatcher between the distribution of the text and his giving the lecture, there was inevitably speculation that she had corrected him.

Pöhl took the obvious question afterwards calmly. He agreed that he had not said "soon". Then he added: "The fact that I didn't say the word 'soon' doesn't mean that I don't mean the word 'soon'."

Someone had forgotten to tell him at the start that the meeting was sponsored by British Airways, so he apologised for having come by Lufthansa. The IEA had forgotten to invite Robert Maxwell, the publisher. An invitation was issued to him at the last minute after the IEA had received urgent representations from the Bundesbank.

Maxwell asked the first question: "Who bears the cost of the continuing Soviet occupation forces in East Germany?" "It is not my job to negotiate that," Pöhl said gently.

The lectures are a hard act to follow. The first three have been given by Nigel Lawson when he was Chancellor, Robin Leigh Pemberton, the Governor of the Bank of England, and now Pöhl. There is talk of going even higher next time. Who can that be? When we suggested Alan Greenspan of the US Federal Reserve, there was no great enthusiasm.

Repentance

■ A BBC monitoring report carries a story from Medellin, the violent drug capital of Colombia. It claims that a group of 200 hired assassins aged between 13 and 20 are anxious to change "their lifestyle". A case of a new life after death, perhaps.

Karate chop

■ Alberto Fujimori, Peru's president-elect, has won perhaps his first solid aid commitment from Japan, the country of his forebears. The Kokusai Shotokan karate school in Tokyo has pledged to build a Y100m (£375,000) martial arts hall in Lima.

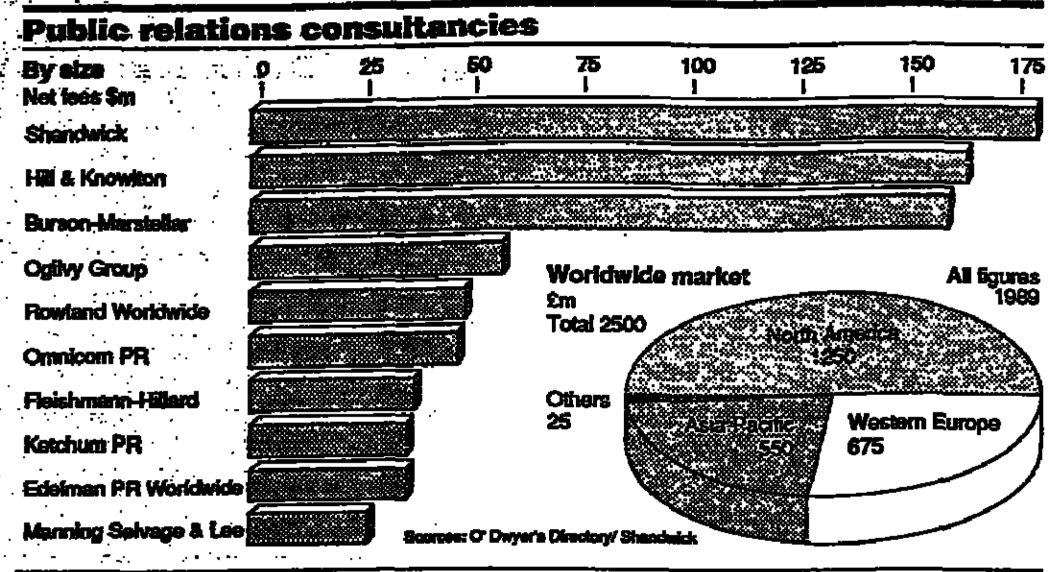
The school yesterday presented Fujimori with an honorary eighth-dan karate ranking. He may need it. The name of the edifice, to be built in the next year and big enough for 1,000 students, translates as the Fujimori Memorial Hall.

10p either way

■ While a middle-aged American couple were ordering lunch in a Soho restaurant last Saturday, the wife suddenly stood up and said: "I have to go to the john," before hurrying away. The husband looked up at the waiter. "She's really going to make a phone call," he said, "but she was too embarrassed to tell you."

Growing pains on a global scale

Is public relations becoming a truly international industry? Alice Rawsthorn reports



One of the howling ironies of public relations is that for an industry that makes its money by improving other people's images, it has never really succeeded in shaking off its own image as a refuge for dipsomaniacs and dilettantes.

Those days are over, or so Mr Peter Gummer, chairman of Shandwick, the world's largest PR consultancy, would have us believe. "There was a time when all a PR man needed to do was mix a good martini," he says. "Today things are very different. Public relations is becoming a mature industry."

There is some evidence to support this. The level of expenditure on public relations has risen rapidly in recent years. The number of global PR programmes is increasing. A new breed of *international* networks has emerged.

These new networks include Shandwick in the UK, Hill & Knowlton and Burson-Marstellar in the US. Almost all the big advertising agencies now own a PR consultancy. Some of the large communications companies – notably Omnicom of the US and Eurocom of France – have identified public relations as an important area for expansion.

But the industry still shows signs of immaturity. Global programmes are the exception rather than the rule. The typical consultancy tends to be a small company with a handful of employees. Over the next few years it will become clear whether public relations is capable of becoming a truly international industry.

Ostensibly the outlook is encouraging. First, the PR market is extraordinarily buoyant, even in economies such as the US and the UK, where other sectors of marketing services are depressed. Shandwick, which estimates the value of the global market for PR consultancies at £2.5bn, anticipates growth of 20 per cent a year into the mid-1990s.

Second, a growing number of PR programmes *are conducted* across more than one country. Just as the multinational consumer goods groups co-ordinate their advertising campaigns across different countries, so they are starting to treat public relations as an international discipline.

"You can not contain information today," says Mr James Dowling, president of Burson-Marstellar in New York. "If a company says something in France, it will be picked up all over the world. Companies must be consistent in their communications."

Whereas the first wave of global advertisers, such as Coca-Cola and Marlboro, tended to run the same advertising campaigns all over the world, the new PR programmes are generally more flexible. Typically if an international network starts to work with a multinational client, it follows a common strategy across all countries but uses its local offices to adapt that strategy to the needs of their markets.

"Very few companies are interested in fully-fledged global programmes," says Mr Jonathan Rinehart, chairman of Ogilvy PR, another New York-based network. "But what is happening more and more is that work is being done in more than one country at the same time in a tailored way."

When Adams & Rinehart, the financial arm of Ogilvy, acted for Norton, the US industrial group, in its defence against a bid from BTR of the UK this spring, it co-ordinated its work through three offices in New York, Washington and London.

Similarly when Burson handled the relaunch of Perrier water this spring, the strategy was set by its Paris and New York consultancies, which then liaised with all the local offices. In all, 100 Burson employees across 22 countries were involved with the programme.

These programmes still represent a tiny – if highly profitable – proportion of the overall PR market and will continue to do so for the foreseeable future. But the trends in global industry – the environmental movement, the increase in legislative intervention and the greater public accountability of companies – should fuel a slow, but steady growth in demand for international public relations.

Yet relatively few consultancies are capable of operating across different countries. The pioneers were Hill & Knowlton,

'The industry is due for a shake-out. There will be huge networks and small, specialist shops, but the middle ground has to go'

now owned by WPP, the London-based marketing group, and Burson–Marstellar, part of Young & Rubicam, the US communications company. Both businesses began in the US, but expanded overseas from the 1960s onwards. For years they topped O'Dwyer Directory's table of the world's largest PR consultancies.

Last year a new name – Shandwick – appeared at the top of the table. Shandwick is one of the London-based communications companies which went public in the mid-1980s and have since used their public status to stage a series of acquisitions. In the past five years it has bought almost 45 consultancies in different countries. Shandwick's competitors point to its hefty debts and predict that, sooner or later, it will fall prey to the same problems that have beset Saatchi & Saatchi and so many other acquisitive UK marketing groups.

Mr Gummer brushes aside these doubts. Public relations, he says, is more profitable than advertising (where margins are about 10 per cent for large agencies, against an average of 15 per cent for PR, although Shandwick makes 20 per cent). It is also more stable in that PR consultancies tend to be paid by fees, not commission. Moreover, he says, Shandwick would not have won two-thirds of its recent new business without its international network.

The "Big Three" consultancies – Shandwick, Burson and Hill & Knowlton – all received fees of more than $150m (£90m) last year. Only two other companies – Ogilvy, also owned by WPP, and Rowland, a subsidiary of Saatchi – mustered fees of more than $50m. The rest of the industry is fragmented between thousands of tiny companies. One indication of the degree of fragmentation is that the combined fees of the Big Three are higher than those of the rest of O'Dwyer's top 50.

This is changing. The large marketing groups, which are increasingly involved in offering an integrated service to their clients, are actively investing in public relations. Omnicom of the US is expanding the collection of consultancies it inherited from the merger of three advertising agencies – Doyle Dane Bernbach, BBDO, and Needham Harper – four years ago. It has also acquired Gavin Anderson, one of the leading forces in investor relations, whereby companies communicate with their shareholders.

Eurocom, the French group, has acquired ABC, the largest PR consultancy in West Germany. Mr Alain de Pouzilhac, its chairman, sees ABC as a platform for a European PR network. Boulet Dru Dupuy Petit, another French group, plans to expand Broad Street, the London-based financial PR company, in which it has taken a minority stake.

Yet these new investors must overcome significant obstacles if they are to become serious players in international public relations. One problem is the shortage of suitable acquisition targets. The small number of established networks are almost all already owned by large groups.

There is a possibility that Saatchi might be forced to sell Rowland to alleviate its financial problems. The future of VPI, one of the largest UK consultancies, is also uncertain after its disastrous acquisition of the Carter Organisation in New York. Mr Don Carter, the eponymous founder, has been prosecuted for fraud in a highly publicised court case.

Otherwise the new investors will have to buy businesses on a piecemeal basis. The only alternative would be to start up from scratch. The problem here is the shortage of high calibre staff in public relations, traditionally been regarded as a low status profession.

Judging by the steady flow of acquisitions and affiliations within the industry this year, the new investors are determined to overcome these obstacles. If they succeed, then Mr Gummer's vision of an international industry will come closer to reality.

But the PR industry would then have to come to terms with life in a more mature market. There would be more competition for new business. Profitability could come under pressure. Some companies might not survive.

"The industry is due for a shake-out," says Mr Bob Dilenschneider, president of Hill & Knowlton in New York. "There will be huge networks and small, specialist shops, but the middle ground has to go. Public relations is growing up."

Social security cuts

An unnoticed windfall for Thatcher's Treasury

By Michael Meacher

Many recognise that North Sea oil and proceeds from privatisation have provided the Government with huge windfall bonuses for its economic policies in the 1980s. But few realise that a third bonus is well on the way to outstripping even these gains.

This is in savings from cuts in social security benefits which have already over the past decade saved the Treasury more than £27bn. These savings come principally from *one of the earliest decisions of* the present Government – to break the link with earnings in the uprating of the pension. But cuts in child benefit, unemployment benefit and housing benefit have also contributed to a total saving of more than £6.25bn last year.

In 1980 the Thatcher Government abolished the rule, which had been implemented by the previous Labour Government, that the basic state retirement pension would be increased each year in line with prices or average earnings, whichever was the higher. It decided that the pension would be raised each year in line with the RPI only. In consequence, as real earnings grew sharply in the mid-1980s, a considerable gap opened up between what an earnings-uprated pension would have been and what the prices-uprated pension actually was. Thus the married couple's pension has fallen from 30 per cent of average earnings to 23 per cent today.

The accumulated savings to the Treasury started modestly at £10m a year in 1980, but began to rise substantially from 1983. In 1984 the saving topped £1bn a year, by 1986 £2bn a year, in 1987 £3bn a year, and in 1988 £4bn a year. In the current year the saving is slightly under £5bn a year. Since in almost every year earnings outstrip prices, even in high inflation years such as the present one, this annual savings total can be expected to go on rising steadily. The total, according to government figures published on March 20, has now reached £22.54bn.

Significant additions to this huge total have come from other social security savings. The Government decided in 1987 that it would in future freeze child benefit at its then prevailing cash value. As a result, savings to the Treasury, which again began modestly at £155m a year in 1988, rose rapidly to £660m in the current year, producing a cumulative saving of £1.2bn.

Further savings have come from the Government's decision in 1982 to abolish the earnings-related addition to unemployment benefit. The value of these savings was pushed up greatly as unemployment tripled between 1979 and 1986. Total cumulative savings on this score have now reached well over £2bn. In addition, housing benefit was heavily cut back under the Fowler social security changes in 1986. As a result there were savings under this item of £450m in 1988, and cumulative savings by the current year of more than £1.5bn.

The combination of savings from all these major social security cuts – and there has been a multitude of smaller ones – has now reached some £27.28bn. It is a total that can be expected to grow next year by nearly £7bn.

The savings from all these major social security cuts — and there has been a multitude of smaller ones — has reached some £27.28bn. It is a total that can be expected to grow next year by nearly £7bn

As a result of these massive savings, which will increase even faster in future years, it can be expected that the cumulative cuts in social security will exceed the Public Sector Debt Repayment, which has now totalled £36bn since 1987. It is also likely that they will exceed even the total government revenue from successive privatisations, which has mounted to £40bn since 1979.

It is possible to make projections further ahead, though obviously more tentatively. If current trends are projected into the next century, cuts in pensions and other benefits, which are steadily rising, dwarf even the revenues from North Sea oil, which have reached some £100bn since 1979 but are now steadily falling. Indeed on the present basis it is likely that total cumulative social security savings will top *£100bn before the year 2000.*

But in addition to existing savings flows, there are two other major sources of future savings that have already been announced, though not yet implemented. One is the cuts in the State Earnings-Related Pension Scheme (Serps), introduced in the 1986 Social Security Act. The other is the cuts to the Invalidity Benefit Additional Pension, *part of the current* Social Security Bill. By the year 2013 these two are expected by the Government to add at least a further £3bn a year to total social security savings. The latter alone is expected, according to government figures published on January 26, to yield savings in the first quarter of the next century amounting to nearly £20bn.

Even without these additional future planned savings, however, it is clear that the total switch in spending represents the biggest redistribution of income ever seen this century. Large though the gains to the rich have been in the past decade, they are completely overshadowed by the draining off of funds from the poor. It has been calculated that the tax bill for the top 5 per cent of earners has been reduced by *£5.8bn since 1979. Yet the* social security savings at the expense of low income groups amount to more than £6.2bn in the current year alone.

The role of income redistribution is no mere sideline of this Government. Paradoxically it is the poorest in the community who are being made to underwrite the whole framework of Thatcherite public expenditure.

Mr Michael Meacher is the Labour Party's spokesman on social security.

LETTERS

UK may face engineering brain drain after 1992

From Mr Ivor Owen.

Sir, Charles Leadbeater ("The hunt is on for executive engineers," June 18) highlights interesting issues which both education and industry have begun to address.

This country's leading engineers have always been rather more than the oily rag carriers described in the first part of his Business Column. Considerations of marketing, management, legislative requirements and international competitiveness have been of prime concern to them.

It is, however, true that engineers have often been marginalised into a purely technical role. The attitudes and formation of some engineers have, unfortunately, contributed to this marginalisation. So has the frequent emphasis on marketing, often unrelated to issues of quality and design.

This emphasis appears in the article's reference to the marketing department doing the strategic thinking about which products to make. In fact, it *cannot do this properly* without the contribution of engineers and other designers who can say what can be made and how. Indeed, there are many international examples that show in the best companies it is the engineers who lead in deciding what products should be made.

Engineering degree courses have in the last decade become much more industrially orientated, covering design (including manufacturing considerations), management, investment, and industrial structure. This has happened under the guidance of institutions, the Engineering Council, and the Design Council, for whom engineering is a fundamental concern.

The mandatory requirement for design to be a component of engineering degree courses is a key factor in bringing about the new sort of engineer which the article describes, since effective design almost always requires multi-disciplinary teamwork. The Design Council and the Engineering Council will be publishing later this year, an important report setting out more fully the range of design competences which engineering degree courses should instil, and this should be a stimulus for further development.

Industry must play its part, not only by recognising the changing role of the engineer but by rewarding it accordingly. Already a significant proportion of our engineering graduates do not enter engineering. 1992 could see many of our best engineers joining a brain drain Britain can ill afford.

Ivor Owen,
Director General,
The Design Council,
28 Haymarket, SW1

From Mr R. Sabry-Grant.

Sir, Lynton McLain's readers ("The mechanics of a modern world," June 15) can be forgiven for believing that it takes only five years to become registered as a Chartered Engineer (*C Eng*).

After gaining an approved first degree, two years postgraduate training, then two years responsible experience (minimum seven years engineering formation) are required before candidates become eligible for such registration, in line with continental practice. Chartered Engineers may apply for pan-European recognition by separate registration, signified by the title European Engineer (Eur Ing).

Various enticements, from bursaries and sponsorship to changing course content, have not reversed declining university rolls in engineering. A survey reported last year found that two out of three engineering students sampled, who had spent at least a year in industry during their course, intended seeking careers outside engineering as a result of that experience. This highlights the difficulties of attracting and retaining engineers in this country, notwithstanding implications to the contrary.

John Galloway showed that the subjects read at university can be good indicators of social origin in Britain (New Scientist, April 28). Candidates from independent schools, usually estimated at 5 per cent of the school population, are much more likely to read arts, law, or medicine, populate the first division of the Civil Service *and the professions*, and to afford sending their progeny to the same schools, perpetuating a lofty insulation. Candidates from maintained schools tend to read the "hard sciences" like engineering, physics, chemistry, and mathematics, considered morganatic by the 5 per cent, and to populate the wealth-creating sectors of the economy shunned by that 5 per cent. "Hard scientists" are excluded from the influential echelons of British society (Mrs Thatcher forsook chemistry for law) in very sharp contrast with our more successful industrial competitors.

Calling the occasional engineer to a British boardroom (Business Column, June 18) should be a step towards adequate and fair representation in the corridors of power, not a *substitute, if Britain is to have* significant influence in the 21st century and beyond. This should become long-term national policy as the insidious and debilitating effects of short-termism, which domino through to engineering salaries are being exposed.

R. Sabry-Grant,
32 Grange Gardens,
Pinner, Middlesex

The Globe bid: 'unfortunate results of non-referral'

From Mr Richard C. Thornton.

Sir, I feel compelled to draw your attention to the unfortunate results of the Secretary of State for Trade and Industry's decision not to refer the British Coal Pension Funds' *bid for* Globe Investment Trust to the Monopolies and Mergers Commission ("Globe bidder given green light," June 16).

Immediately following this decision, the BCPF was able to instruct its brokers to enter the market and attempt to purchase control of Globe in the open market. This open market raid failed.

Thus Globe has become a "blighted" company, with the result that the managers' authority and future have become uncertain. This cannot be good for shareholders or encourage prudent long-term investment decision-taking.

BCPF seems likely to end with an untidy shareholding – more than the 29.9 per cent which triggered the bid, but substantially less than the *control which it seeks.*

An overwhelming majority of the "small" shareholders, for whose investment Globe was originally designed, appears to have signified dismay and rejection of BCPF's bid.

It must be very much open to question whether the Secretary of State's decision was in the best interests of those minority shareholders whom the Financial Services Act was presumably intended to protect.

Richard C. Thornton.
Chairman,
Thornton Management,
33 Cavendish Square, W1

No need for a 13th currency

From Mr Daniel McLaughlin.

Sir, Professor Meade, (Letters, June 26) sets out two conditions for the success of the "hard" Ecu, which, if met, would provide Europe with an "alternative non-inflationary currency." But why do we need *it when we already have an* acceptable anti-inflationary anchor in the D-Mark?

The proposal for a thirteenth currency or hard Ecu is an irrelevancy and should not be given the time of day (and would not, I suspect, if put forward by another European Community member). The fact is that whatever the UK proposes over the next few years, the majority of ERM members will either fix their currencies to the D-Mark or commit themselves to narrower bands.

If this is unacceptable to the UK for whatever reason, a more appropriate response would be to regain control over monetary growth (through the existing institutional framework or via an independent Bank of England) rather than to ruminate on the cul-de-sac of an alternative currency.

Daniel McLaughlin,
Chief Economist,
Raida & Co,
28/29 Grafton Street, Dublin

Conservative

From Mr R.T.D. Wilmot.

Sir, Your Moscow correspondent describes Mr Ligachev as the "leading conservative" in the Soviet Communist Party. Surely there is a case for describing Mr Benn as "the leading conservative" in the Labour Party.

R.T.D. Wilmot,
12 Kylestrome House,
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FINANCIAL TIMES
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BIOTECHNOLOGY INDUSTRY

Companies accuse EC of 'hostility'

By Tim Dickson in Brussels

LEADING biotechnology companies have accused the European Community of "political hostility" and of driving commercial investment out of the EC towards the US and Japan.

Their increasingly high-profile campaign – spearheaded by the European Chemical Industry Federation (Cefic) – reflects wider concerns that the EC is losing its competitiveness in this crucial industrial sector and that if the current "climate of uncertainty" is not improved the promise of hundreds of thousands of new jobs will not be fulfilled.

The latest salvo is a table compiled by Cefic's Senior Advisory Group on Biotechnology – comprising representatives of Britain's ICI, Germany's Hoechst and Ferruzzi of Italy among others – which suggests that new commercial biotechnology investment in the EC almost dried up in 1989. Biotechnology is a set of new biological processes for the manipulation of genetic material.

It shows, for example, that although 82 per cent of the Ecu3.244bn ($3.93bn) of worldwide investment in biotechnology last year came from European sources, a mere 3 per cent of the funds was physically allocated to R&D projects inside the EC.

At the heart of industry's concern is the belief that the EC suffers from what Mr Brian Ager, Director of the Senior Advisory Group, calls an "incoherent and adversarial regulatory system, which creates unacceptable risk and cost for all biotechnology investors." Particular anger has been directed at the recently approved EC directive covering the deliberate release of Genetically Modified Organisms (GMOs), biological material which has been genetically altered.

The industry says the directive not only involves duplication of testing procedures, but also concentrates on the process used for making the product rather than the product itself.

"The correct approach is to determine the category into which any product of biotechnology falls for regulatory purposes (eg food, pesticide, pharmaceutical), and to apply those sectoral rules on a non-discriminatory basis," says Mr Ager.

"As it stands the directive will seriously distort product legislation, and will serve to create confusion and an aura of fear and discouragement."

Developing a coherent policy on biotechnology in Brussels has by most accounts been hindered by internal European Commission battles between the departments responsible for the environment, research, agriculture and the internal market.

One EC expert with a scientific background who has studied Cefic's submissions said yesterday that companies were looking for scapegoats to blame for the disappointing returns on biotechnology investments made in the 1980s.

ICI plans worldwide expansion in acrylics

By Peter Marsh in London

IMPERIAL Chemical Industries, Britain's biggest manufacturer, yesterday unveiled a £450m ($774m) international plan aimed at expanding its business in acrylics plastics, a fast-growing part of the world chemicals industry.

The acrylics plan fits in with ICI's general strategy to build up its business in higher-value areas of chemicals outside the UK, especially in the Far East and North America.

The scheme involves spending up to £200m by 1995 on chemicals plants, mainly in the Far East, the US and continental Europe.

These units will turn a chemical made by ICI called methyl methacrylate (MMA) into finished acrylics sheet or resin. MMA is the most important raw material for acrylics.

Much of the MMA for ICI's acrylics production sites around the world will be shipped from a new £110m plant at the group's large production site on Teesside in the north-east of England. The new plant will be the group's biggest capital-spending project in Britain for a decade.

ICI operates one more MMA unit, in Taiwan, which the company plans to expand.

Acrylics plastic is used in a variety of applications including bathroom and kitchen sinks, vehicle lights, illuminated signs and decorative architectural fixtures.

ICI is the world's third biggest acrylics maker. Annual world acrylics sales are about £1.5bn and are growing at 5-10 per cent a year.

ICI, with expected sales in 1990 of £14bn, gains 10 per cent of revenues from the Far East and 25 per cent from the US. It wants the proportion of Far East sales to double by the end of the decade.

The UK accounts for about a fifth of ICI's turnover and this figure is likely to fall over the next few years.

The new Teesside facility, due to be finished by the end of 1992, will double the capacity of ICI's Teesside complex to make MMA, bringing this to 200,000 tonnes a year.

About £66m of the £110m Teesside project will be spent on new equipment which will take acid waste from MMA production units and recycle it for use in the MMA manufacturing process.

At the moment ICI dumps large amounts of acid waste from its existing MMA production on Teesside into the North Sea. The company has agreed to stop this practice by 1993 to meet tougher European pollution rules.

The rest of the £450m programme includes cash, some of which ICI has already committed, which is being spent on other MMA units and acrylics plants around the world, especially in the US and in Taiwan.

Plugging the kitchen sink, Page 7

North and South Korean premiers to meet

By John Ridding in Seoul

NORTH and South Korea resumed talks yesterday after a five-month suspension and achieved a breakthrough in arranging an unprecedented meeting between prime ministers of the two countries.

During the talks, which were held in the border village of Panmunjom, officials from North and South Korea said they had agreed to meet on July 26 to sign an accord which would outline an agenda and set a date for the meeting. According to previous negotiations, a meeting would take place within one month of such an accord.

The proposed meeting, which would be the first between senior government leaders since the Korean peninsula was divided in 1945, is expected to include a discussion of the signing of a non-aggression pact and arms control on the peninsula. North Korea said yesterday that it also wanted to discuss the two countries' membership of the United Nations.

An official at the National Unification Board in Seoul said there was now a high probability of a meeting "unless something unexpected happens."

Mr Paik Nam Jun, the North Korean chief delegate, said that the two premiers could meet either in August or September and that "there is no real barrier to the talks." He described yesterday's talks as "a landmark for reunification."

Western diplomats in Seoul said they were encouraged by the progress made during the meeting but also expressed caution. "We have seen many encouraging signs before and it is conceivable that this planned meeting will fall apart too," said one diplomat.

The Seoul stock market, however, showed little restraint and the composite index rose by 4.5 per cent over Monday's close.

The breakthrough at the talks, which resumed after North Korea suspended negotiations in protest at the annual US-South Korean Team Spirit military exercises, came after the South Korean delegation accepted North Korea's proposed draft of the agenda for a prime ministerial meeting.

The two sides had disagreed on the draft, with North Korea wanting to give priority to military and political issues – Pyongyang want withdrawal of all 43,000 US troops – while South Korea favoured beginning with trade and other exchanges first, to restore trust between the two countries.

Both sides say they want reunification of the Korean peninsula, which remains divided along its tense and highly militarised border.

South Korean chief delegate Song Han-ho (left), leads North Korean chief delegate Paik Na June from talks

Apricot Computers to head Mitsubishi strategy

By Alan Cane in London

APRICOT Computers, the UK-based personal computer manufacturer bought three months ago by Mitsubishi Electric, is to become the Japanese company's worldwide centre for the design and manufacture of desktop computers.

Personal computers, workstations and network servers manufactured in its factory in the English Midlands will be exported to the US and to Japan, as well as marketed throughout Europe. It is likely that the Apricot name rather than Mitsubishi will be used for the product range, a tribute to the reputation for quality that Apricot has established.

Mitsubishi will, however, continue to design and manufacture laptop and notebook-style computers, the fastest growing area of the personal computer market, in Japan. It intends to market them under the Apricot label in the UK. A formal announcement is expected later today as Apricot and Mitsubishi unveil their joint personal computer product and distribution strategies.

Apricot is also expected to announce a new research and development initiative with Mitsubishi and an aggressive programme to help its dealers in the UK. It will also launch a new workstation family combining low cost with high performance and security.

Dr Peter Horne, Apricot managing director said yesterday that the company was now ready to compete internationally. "The company now has the financial and marketing strength to compete as an equal among the multinationals." He thought the company would make some 60,000 units next year and in the "low hundreds of thousands" within four years.

Sir Peter Parker, chairman of both Mitsubishi's UK subsidiary and Apricot, said Apricot would be given the resources it needed to become a major international force.

The first step, Dr Horne said, would be to launch Apricot in the US market. A strategy meeting will be held later this month with Mitsubishi's top executives to discuss how best to use the Japanese company's extensive distribution and marketing channels.

Simultaneously, Apricot's flagship product, a departmental computer, will be prepared for launch in Japan. Mitsubishi engineers will be based in Birmingham to help with development.

The two companies' dealer channels will be merged in the UK. Mitsubishi's extensive German distribution network will be used to launch Apricot in Europe.

Apricot Computers was formerly the product manufacturing arm of the Apricot Group, now trading successfully as a computing services organisation under its original name of ACT. The company was recognised for innovative technology, but could never achieve the volume of sales, especially exports, necessary for success.

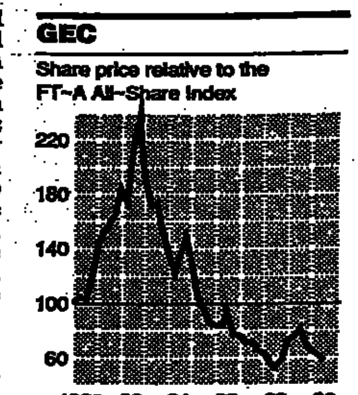
THE LEX COLUMN

The same old chinks in GEC's armour

The smoke has cleared around GEC to reveal Lord Weinstock in just as difficult a predicament as he faced before he bid for Plessey. GEC can explain why each part of its new structure makes sense by itself. But there was little in yesterday's annual results to inspire confidence about the ability of the group as a whole, in its new form, to generate earnings momentum in a world where defence electronics are suddenly unfashionable.

GEC gained £15m-20m in reported profits from the new SSAP 24 accounting rules for pension schemes, and an extra £33m from its Plessey and Ferranti radar acquisitions. Take those out, and at the pre-tax line GEC's profits were up only three per cent. As for acquisitions, the £1bn goodwill write-off for Plessey is £50m more than the price GEC paid for the whole thing. It seems GEC over-paid for that, and for Ferranti's radar division, whose future is over-dependent on the European fighter aircraft.

It is easier to specify the pressing problems GEC faces than be confident about its ability to solve them. GEC-Alsthom's margins need lifting from 5 per cent, to something like the 8-9 per cent GEC's power engineering makes; but that goal depends on the French side. And such challenges face a company whose cash pile has shrunk. Less than £600m of GEC's cash is under its control, a figure that must be viewed against cash-outflows – such as a dividend cost of £249m and a privately-funded R&D bill of £400m – which must surely rise if GEC means business about civil electronics. Whether or not GEC makes £1bn of pre-tax profits in 1991, the era of safe dividend growth may be over.



Sterling

Nelson Mandela has not yet given his views on sterling's entry into the ERM; but when he does, doubtless the pound will rise another pfennig or two. Every other possible omen for ERM entry has been seized upon by the market. At DM2.93, the pound is now close to the highest suggested central rate. The pressures must be growing on the Government to enter the system now, rather than try the market's patience with a series of holding statements over the next few months. Nothing bores traders like yesterday's hot currency.

However, early entry would make questionable sense electorally. The honeymoon period could not be sustained until the probable June 1991 poll date, and a pre-election devaluation crisis would be deeply embarrassing. Such a crisis could occur if the foreign exchange markets took fright at a series of vote-catching interest rate cuts before the problems of underlying inflation and double-digit wage settlements were solved. Alternatively, entry at a rate close to DM3, together with still high interest rates, would inevitably tighten the squeeze on the economy. Far better politically that this should happen after a poll rather than before it; but the Government is too far committed to allow itself the luxury of delay.

3i

The debate about short termism may lumber on, but yesterday's annual results from 3i, the UK's biggest venture capitalist, are a reminder of the potential rewards for long term investors. Not surprisingly, 3i, which has been around for 45 years and invests in over 4,100 companies, is going through a rough patch. It has doubled its annual provisions for business failures to £80m, equivalent to 3.2 per cent of its total investments. It has also reduced the value of its remaining £2.5bn portfolio by a shade over £100m. The net result is that the total return to its clearing bank shareholders has fallen by 82 per cent to £41m.

Even by clearing bankers' standards, this looks pretty miserable. But even after last year's disappointing result, 3i's compound annual growth in net assets over the last five years is still 21.1 per cent, which compares with 17 per cent growth in the FT-A All-Share index and an even lower figure from the average investment trust. For a cash-strapped shareholder like Midland, which is earning a measly £4m per annum on a 3i investment worth well over £200m, the short-term appeal of cashing in its stake must be mounting.

Budgens

Yesterday's profit warning from Budgens is a stark reminder of the gulf between 1990s reality and the takeover fantasies of the previous decade. This was the company which two and a half years ago made a perfectly serious and almost successful attempt to pay £2bn for the Gateway food retailing chain. Since then, its own shares have underperformed the market by 75 per cent. After yesterday's 21 per cent drop in the share price, its market value stands at just £52m.

The warning is also a further reminder that the upheaval in the retail sector is not primarily the result of economic policy. Monday's revised figures for retail sales in May showed food sales up year on year by 3.5 per cent in volume and 12 per cent in value. But like Asda, Budgens is the victim of its own incompetence in the switch to central warehousing which is now an essential part of retail chain technology.

Monday's figures also showed volume still rising in clothing and footwear; but Burton's shares, down another 9 per cent yesterday, are now 35 per cent lower since their profits warning last week. Like other parts of the service sector, the retail trade got careless in the easy days of the 1980s. It is now paying for it.

AMB/Fondiaria

There is something bizarre about a 1 for 17 rights issue with the new shares on offer at nearly double the market price. Such is yesterday's issue from Aachener und Muenchener, the German insurance and banking concern, in which the new shares are priced at DM1,630 against a DM925 closing price on Monday. The issue seems intended to fail, thus giving the Florentine insurer La Fondiaria, which is underwriting it, 5.9 per cent of AMB.

Royal Insurance, which has 20 per cent of AMB, faces a tricky question of how to react if it wants to avoid dilution. AMB has also produced an external valuation of its assets, to justify the DM1,630. A similar device was used by Daimler-Benz in 1988, during its bid for the minority of AEG. If nothing else, AMB's move re-emphasizes the large hidden reserves inside German banks and insurers.

Major to press for 'hard Ecu' despite Pöhl scepticism

By Peter Norman, Economics Correspondent, in London

MR JOHN MAJOR, the UK Chancellor of the Exchequer, plans to pursue forcefully Britain's proposals for a "hard Ecu" alternative to the Delors Committee programme for European economic and monetary union (EMU) despite the scepticism expressed earlier this week by Mr Karl Otto Pöhl, the Bundesbank president.

In a statement yesterday, the London Treasury said that Mr Pöhl had described the British plans as a constructive contribution to the debate on EMU that would be examined carefully in the committee of European central bank governors and the monthly meetings of EC economics and finance ministers.

Mr Major will seek to win support for the British ideas from fellow EC finance ministers next week at the world economic summit in Houston, Texas. He also plans to promote it through public speeches and television interviews in Britain.

The Treasury statement was issued after a lengthy meeting between Mr Major and Mr Pöhl in an apparent bid to paper over the differences between the two men. In a speech on Monday night in London, Mr Pöhl made clear that he preferred the Delors concept of moving ultimately to a single European currency and central bank over the British plan to develop the Ecu as a parallel currency in Europe.

Yesterday, shortly before meeting Mr Major, Mr Pöhl told a House of Lords' Committee that the British plan was "not very helpful" and would "complicate the question of monetary union and lead to confusion in the markets."

Other remarks attributed to Mr Pöhl during his London visit helped lift sterling yesterday to close at an 11 months' high of 92.3 on the Bank of England's trade weighted exchange rate index. His remark in the printed version of his Monday speech, that he expected sterling to enter the exchange rate mechanism of the European Monetary System "soon" fostered new speculation about early full UK membership of the EMS.

Despite late profit-taking in London and the fact that Mr Pöhl dropped the word "soon" when delivering his speech, the pound closed yesterday in London up 1.6 cents against the dollar and 1.25 pfennigs against the D-Mark compared with Monday's closing levels.

Interest in sterling joining the exchange rate mechanism was kept alive by Mrs Margaret Thatcher, the British Prime Minister, yesterday. Answering a question in parliament, she said Britain was "bound to join the ERM" when the time was right.

In the foreign exchange markets, there were reports that the recent strength of the pound was attracting institutional as well as speculative buyers. Mr Paul Chertkow, chief currency strategist of Citibank in London, said Japanese and European fund managers had been buying sterling in recent days.

Pöhl argues central bank case, Page 8; Currencies, Page 38

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	27	81	Dallas †	S	26	79	Madeira	C	21	70	Prague	F	23	73
Algiers	S	29	84	Dublin	F	16	61	Madrid	F	28	82	Reykjavik	S	11	52
Amsterdam	F	17	63	Dubrovnik		–	–	Majorca	S	28	82	Rhodes	S	27	81
Athens	S	33	91	Edinburgh	C	15	59	Malaga	S	36	97	Rio de Janeiro		–	–
Bahrain	S	36	97	Faro	S	29	84	Malta	S	31	88	Rome	S	27	81
Barcelona	C	20	68	Florence	F	27	81	Manchester	C	15	59	Salzburg	F	21	70
Belfast	C	15	59	Frankfurt	C	15	59	Melbourne	S	10	50	S'Francisco †	S	12	54
Belgrade	F	23	73	Geneva	C	16	61	Mexico City		–	–	Santiago		–	–
Berlin	C	19	66	Gibraltar	S	30	86	Miami †	F	27	81	Seoul	R	21	70
Biarritz	C	19	66	Glasgow	F	15	59	Milan	F	21	70	Singapore		–	–
Birmingham	S	16	61	Guernsey	F	16	61	Montreal †	F	18	64	Stockholm	F	18	64
Blackpool	S	15	59	Helsinki	S	19	66	Moscow	R	19	66	Strasbourg	C	14	57
Bombay	C	29	84	Hong Kong	F	32	90	Munich	F	21	70	Sydney	S	15	59
Bordeaux	F	20	68	Innsbruck	F	18	64	Nairobi	C	19	66	Tangier	S	25	77
Boulogne	F	18	64	Inverness	C	14	57	Naples	S	27	81	Tel Aviv	S	29	84
Bristol	C	16	61	Isle of Man	F	14	57	Nassau		–	–	Tenerife	C	25	77
Brussels	R	14	57	Istanbul	S	29	84	Newcastle	F	16	61	Tokyo	R	24	75
Buenos Aires		–	–	Jersey	F	17	63	New Delhi	C	32	90	Toronto †	S	20	68
Budapest	F	22	72	Johannesburg	S	14	57	New York †	S	22	72	Tunis	S	36	97
Cairo	S	34	93	Las Palmas	S	26	79	Nice	C	20	68	Valencia	F	28	82
Cape Town	C	12	54	Leeds	F	18	64	Nicosia	S	30	86	Venice	S	21	70
Cardiff	C	15	59	Lisbon	F	24	75	Oporto	F	22	72	Vienna	S	21	70
Chicago †	S	21	70	Locarno	C	19	66	Oslo	F	19	66	Warsaw	C	19	66
Cologne	F	18	64	London	C	19	66	Paris	F	18	64	Washington †	S	22	72
Copenhagen	R	16	61	Los Angeles †	S	18	64	Peking	C	29	84	Wellington	C	8	46
Corfu	S	33	91	Luxembourg	C	16	61	Perth	S	15	59	Zurich	R	16	61

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Bonn's borrowing to fall

Continued from Page 1

cent to DM1.3bn next year – and on the Ministry for Inner-German Relations, which is seeing its budget cut by 46 per cent because of the ending of division.

Mr Waigel said that East and West Germany would not be able to present a fully integrated 1991 budget even after political unity which is now likely in December this year. This was because of large differences in administrative and budgetary structures.

He defended the Government against claims from the Social Democrat opposition that the centre-right coalition was relying too much on borrowing to finance unity. He said net all-German public sector borrowing would be DM66bn this year – including all levels of West German government spending and social security, East Germany's own budget, the newly established German Unity Fund and borrowing by East Berlin's state-owned Treuhand holding company. It would rise to DM86bn next year.

West German central government spending would be inflated by only DM9bn next year as a result of measures associated with East Germany, he said. Other areas of spending, notably the bill for interest on government debts, were being increased by DM10bn.

Brussels seeks a greater role

Continued from Page 1

action it would be permitted to take, if any.

One possibility would be to inform companies engaging in potentially anti-competitive deals that action would be taken against them as soon as possible.

Any moves by the Commission that had the effect of limiting the volume of takeovers would be controversial, and would be seen as frustrating West German efforts to rebuild the economy in the east.

However, Sir Leon has made it clear that East Germany is not going to be a special case in applying competition rules.

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INSIDE

Profits outlook in the UK

UK balance sheet warnings of doom and gloom have become common. A fall-off in the rate of earnings growth first showed through towards the latter half of 1989. But it may not be until the first half of 1991 – in terms of reported results – that the nadir occurs. Dividends have proved more resilient, with the average industrial company still lifting its annual payout by around 20 per cent in the March figures. A review of earnings prospects by company sector appears on **Page 28**

Developing a feel for derivatives

Developing countries are quickly moving ahead in their use of derivatives markets – futures, options and swaps – to manage financial risks. Of the funds raised last year in the international capital markets by 16 developing countries about 28 per cent incorporated some form of risk management. A year earlier the proportion was only 10 per cent. Meanwhile, the World Bank is advising 15 countries on the use of derivative markets – and its programme may be extended. **Page 25**

Change to Aerolineas flight plan

Alitalia, of Italy, has withdrawn from the planned privatisation of Argentina's national airline, Aerolineas Argentinas. This has thrown the project into confusion. A month ago American Airlines also abruptly pulled out of the running, and Alitalia's decision comes just three days before the Argentine Government is scheduled to announce bids for the 85 per cent of Aerolineas which is up for sale. Gary Mead reports. **Page 22**

Key to Newman's profits rise

In the first half of its financial year, Newman Tonks, the Birmingham-based maker and distributor of catches, locks and other parts for doors and windows, lifted its pre-tax profits by 27 per cent from £9m ($15.87m) to £11.4m. Most of the growth came from acquisitions, notably Normbau, a West German manufacturer, explained Geoff Gahan (above), chief executive. **Page 29**

Guarantee on Farrow payments

Overwhelming political pressure in Australia has pushed the state Government of Victoria to guarantee a full return to depositors in the failed Farrow Corporation building societies group. John Cain, the state premier said that "over time" around A$1.3bn ($1.04bn) in depositors' funds would be repaid in full. Meanwhile, the Government will finance a payment of between 20 cents and 25 cents in the dollar "as soon as possible" to ease hardships being faced by the group's 200,000 depositors, writes Kevin Brown from Sydney. **Page 23**

Market Statistics

Companies in this section

Chief price changes yesterday

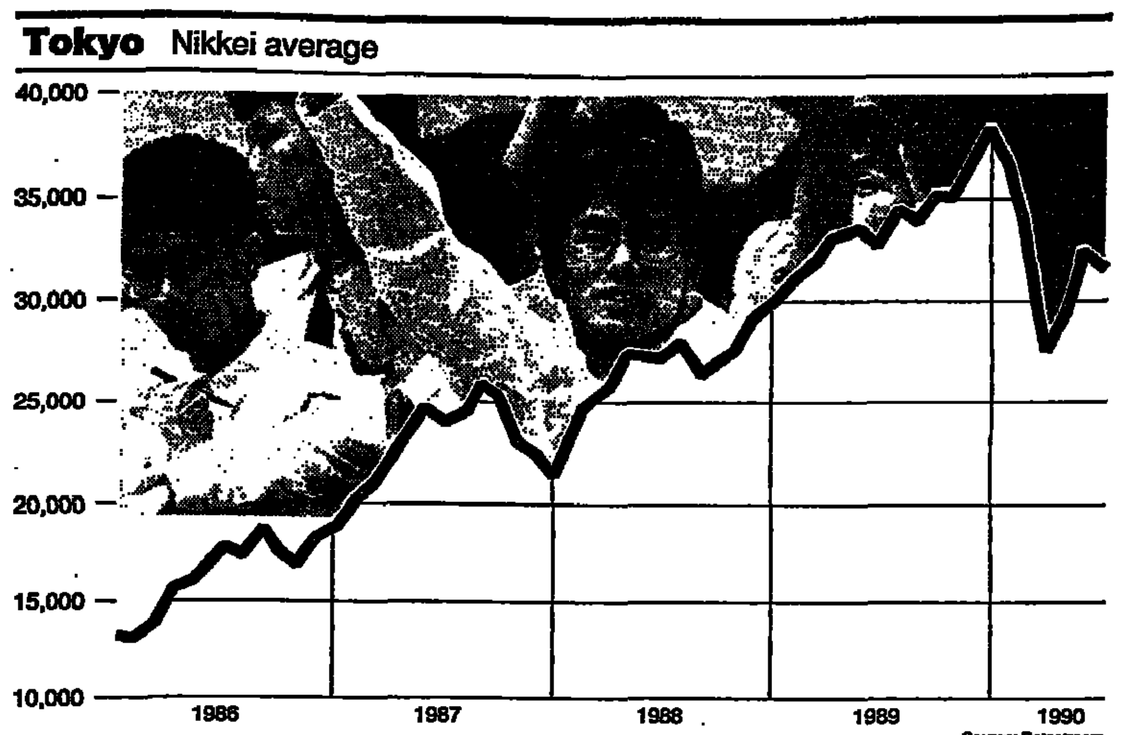
FRANKFURT (DM)			**Rises**		
Rises			Bancaire Cie	611	+ 12
Horten	265	+ 7	Club Med.	644	+ 14
Mannesmann	930	+ 10	**Falls**		
Springer	810	+ 10	Exor	1830	– 26
Falls			Nouvelle Galer	716	– 27
Ind. Werke	422	– 4	Peugeot	777	– 32
Philips Komm.	520	– 10	Valeo	556	– 17
Vieg	416.7	– 6.3	**TOKYO (Yen)**		
NEW YORK ($)			**Rises**		
Rises			Gajnan Kanko	1720	+ 160
Gen Inst	45⅝	+ ½	Jidosha Denki	1320	+ 120
Mattel	22½	+ ⅜	Okura Ind.	1340	+ 140
Melville	53	+ ¾	Showa Line	1130	+ 110
Falls			Toyo Boseki	3170	+ 290
Dallas Semi	7⅛	– ⅝	**Falls**		
Foremost	25⅝	– 4½	Utoku Express	1550	– 100
Mentor Graph	17⅝	– 4⅜			
PARIS (FFr)					

New York prices at 12.30.

LONDON (Pence)					
Rises			Blue Circle	242	– 9
A.B. Foods	403	+ 8	Body Shop	400	– 20
Brit. Telecom	309	+ 7	Budgens	69	– 16
Burmah	847	+ 15	Burton	107	– 16
Gt.Westn.Res.	243	+ 10	Glynwed Int.	286	– 12
Lonrho	270	+ 7	Hanson	234	– 5
Racal Elect.	208	+ 6	Hawker Sidd.	631	– 15
Racal Telecom	373	+ 7	Legal & Gen.	424	– 10
Rechem Envntl.	570	+ 20	Ratners	241	– 23
Tate & Lyle	306	+ 7	Sears	93	– 3
Falls			Taylor Woodrow	282	– 10
Alumasc	205	– 28			
Berisford Int.	91	– 9			

Issues of confidence in the Tokyo market

Stefan Wagstyl reports as Japan's Big Four securities houses make a cautious return to new issue dealing



JAPANESE stockbrokers are nervously preparing for their biggest test since the crisis in the Tokyo stock market earlier this year. In the next few days, they plan to lift a moratorium on new issues, imposed three-and-a-half months ago to prevent shares going into free fall.

Since then the Nikkei index has recovered over a third of its lost ground, rising from a low of 28,002 to 32,160. The underwriting managers of the Big Four Japanese securities houses, Nomura, Daiwa, Nikko and Yamaichi, think it is safe to dip again a toe in the water.

Their decision will have an impact not only in Tokyo's financial markets, but also in the London-based Euromarkets, where much of Japanese fund-raising is carried out. Japanese companies, which last year raised a total Y26,000bn ($173bn) in equity-linked issues, are anxious that the money machine should start rolling again.

Investors, Japanese and foreign, are concerned lest it might go flying off the rails once more. The Big Four will start with equity-warrant deals and convertible bonds; straight equity issues will not come before September.

Issuers are being told to limit themselves to modest-sized generously priced offerings. Conditions are so treacherous that some companies with very large appetites for capital, especially banks, are being told to wait. And the brokers are ready to abandon the whole exercise, if investors show signs of resistance.

"Fundamentally, the market is still fragile," said Mr Shuichi Taniguchi, a deputy general manager in the capital markets division of Daiwa Securities. "If we see the Nikkei below 30,000 we will have to stop. Otherwise everyone will lose money."

The situation has been so sensitive that Mr Taniguchi, and his counterparts at Nomura, Nikko and Yamaichi have been meeting once a week to discuss re-opening the market.

Even in normal times, executives of the four companies meet occasionally, sometimes once a month, sometimes less often. Officials of the Ministry of Finance know about the meetings but do not attend.

In times of plenty, the meetings have little significance: when each company is making as many as four issues a day, the others have only to watch the size and price of the offerings to know what is going on.

But when new issues are suspended the meetings themselves become the most important point of contact. Mr Takashi Yamamoto, a general manager in Nikko's underwriting department, says views are exchanged at these discussions. Both he and Daiwa's Mr Taniguchi say decisions are taken independently by each company. Mr Taniguchi denies the Big Four are running a cartel.

The move in March to halt issues was discussed by telephone. Since then underwriting managers at the Big Four have been meeting face-to-face, usually in each other's offices, to discuss prospects. The most recent meeting was last Wednesday. The next will probably be this week.

The result of these deliberations are tentative plans for issues totalling about Y600bn this month, including Y480bn in warrant bond deals and Y150bn in convertible bonds. Of the warrant bond deals, about Y380bn is scheduled for issue in US dollars in the Euromarkets. The volume for August will be similar.

The list of issuing companies is almost entirely composed of groups which were due to raise funds in March and April.

The first warrant bond to be launched by Nomura, probably on July 6, will be a $300m offering from Daikyo Real Estate, to be followed by others including Sumitomo Metal Industries, Sekisui House, and Kuraray.

The first convertible bond offering will probably be launched on July 5 – a SFr150m ($107m) issue by Nikko for Maruko, a real estate company. A few days later, Fujitsu, the computer maker, is planning a Y100bn issue in Tokyo.

Restraint is the order of the day. Nikko's Mr Yamamoto says Y100bn is the maximum size for a convertible bond and Y50bn for a warrant bond deal.

For 1990 as a whole, Nikko believes companies might be able to raise about one third of last year's total of Y26,000bn in equity-linked issues.

Big companies wanting to make big issues are having to take the brunt of the burden since theirs are the offerings investors are least interested in buying. Banks are being forced to look elsewhere for the means to meet the levels of capital needed to satisfy the requirements laid down by the Bank for International Settlements.

Mr Yamamoto says: "It isn't that the securities companies are controlling the market. We simply cannot have more big issues than the laws of supply and demand will allow."

The laws of supply and demand also dictate pricing. Interest rates have risen sharply since the moratorium was imposed. Brokers estimate that for convertible bonds, the yen-based interest rate will be about 6 per cent, compared with 3 per cent at the end of last year and 5 per cent in March.

For warrant-bonds, the total fund-raising cost is expected to be at least 3.75 per cent, and more probably 4 to 4.5 per cent. This compares with 1.5 to 2 per cent at the end of 1989.

That is a big increase, but with the prime long-term lending rate of Japanese banks standing at 7.6 per cent, raising funds in the capital markets is still worth while for the issuer. Whether it is worthwhile for the investor remains to be seen.

Daiwa's Mr Taniguchi says investors have been deprived of Japanese new issues for over three months. "We think there will be good demand but we don't know how much." Daiwa believes Japanese private investors are keen to buy, but financial institutions are divided.

Some institutions have other things to do with their funds – notably life companies which have been busy increasing loans to industry. Foreign institutions will buy modestly, Daiwa estimates.

With access to the capital markets severely restricted, Japanese industry has been forced to seek alternative sources of finance. The fortunate ones have been spending the proceeds of previous issues and running down the piles of surplus capital accumulated in the bull market run which halted earlier this year. Some have made straight bond issues, mostly in the Euromarkets, not Tokyo. Others have had to increase borrowings, often not from banks but from non-banks such as life companies, leasing and finance groups.

The extra cost to industry is impossible to quantify. "No-one's gone bankrupt because of this," said one underwriting manager. There is also little sign of a slow-down in capital spending.

Last month, the Bank of Japan raised its estimate of the increase in capital spending in the year to March 1991 by 4.1 percentage points to 11.2 per cent. For manufacturers, the central bank lifted its forecast 5.9 percentage points to 16.5 per cent.

However, even with the issue market re-opened, access will be tightly restricted. The resumption of straight equities is not even a twinkle in underwriters' eyes. Japanese industry will for some time be unable to raise funds in such vast quantities as it did. Japanese companies will almost certainly pay more for their capital in the early 1990s than they did in the late 1980s.

GEC pre-tax profits rise 9.4 per cent to £872m

By Michael Skapinker in London

THE General Electric Company of the UK yesterday announced pre-tax profits of £872m ($1.5bn) on turnover of £8.79bn for the year to March 31. These results were up 9.4 per cent and 31.8 per cent respectively on 1988/89. But a flurry of takeovers, joint ventures and disposals last year makes comparison difficult.

The deals, which included the purchase of part of Plessey, the UK electronics group, the sale of half of GEC's consumer products business to General Electric of the US, and the formation of GEC Alsthom, a power and transport joint venture with Compagnie Générale d'Electricité of France, have not yet improved GEC's financial performance. Lord Weinstock, GEC's managing director, said that he expected improved results in future years, although, in some areas, it would take time.

Earnings per share rose 5.8 per cent to 20.2p and the proposed final dividend is 6.7p, lifting the total payment by 18.6 per cent 9.25p. Subject to the approval at the annual meeting, shareholders will be able to receive dividends in shares instead of cash.

Plessey, which GEC and Siemens of West Germany jointly acquired last year, contributed £33m to the UK group's profits. The Plessey contribution was for the last six months of the year only. GEC revealed that it had paid £950m for its share of Plessey and, following the acquisition, had written off just over £1bn of goodwill against its reserves. GEC said that the application of its own accounting principles and provisions for future trading losses had led to a reduction of its assessment of Plessey's net assets.

Lord Weinstock said that Plessey's contribution to profits was "probably a little less that we would have expected or than any reasonable person would have expected, reading Plessey's accounts and statements by members of the board." He denied, however, that he was disappointed with the purchase. "If we had to do it again, we would do it," he said.

GPT, the telecommunications manufacturer in which GEC now has a 60 per cent stake to Siemens' 40 per cent, produced profits for the UK group of £87m (£79m) on turnover of £909m (£569m).

Lord Weinstock denied suggestions that Siemens would eventually take over GPT. "We have no intention of selling our interest in GPT, and any statement to the contrary is totally false." He said that now that GEC had management control of GPT, instead of having to share it with Plessey, it would be able to improve the performance of the business.

The GEC power systems operations, including GEC Alsthom, recorded profits of £130m, up 15 per cent on the previous year, on turnover up 92 per cent to £2.6bn. Lord Weinstock blamed the reduced margin on Alsthom's lower profitability. He said that the application of GEC's financial controls to the joint venture would help to improve the position, although this would not happen immediately.

Half of GEC's consumer goods business was sold to GE of the US last year. The weakness of UK consumer demand, however, meant, profits from the sector fell by two thirds to £21m. Lord Weinstock played down the effect that reduced western defence spending would have on GEC. He said that the defence sector accounted for less than 20 per cent of group sales. He added that demand for monitoring and surveillance equipment, areas in which GEC was strong, would remain high.

He said it would be unwise for Nato countries to reduce their defence capabilities too drastically. "If we accept today that Mr Gorbachev's intentions are wholly benign, we don't know if he'll still be there tomorrow or if he'll change his mind." The extent to which peace had now broken out in the world was open to debate. "In Romania, they're killing each other at twice the rate they were when Ceausescu was there," Lord Weinstock said.

Lex, Page 18

Siemens manager expected to take over at Nixdorf

By Andrew Fisher in Frankfurt

SIEMENS, the West German electrical and electronics group, is expected to replace Mr Horst Nasko, the chief executive of Nixdorf, with one of its own managers, Mr Hans Dieter Wiedig, now in charge of data and information technology.

Mr Nasko, has headed Nixdorf, the loss-making computer company which Siemens is acquiring, since the resignation of Mr Klaus Luft in November.

He will remain on the board of the new Siemens-Nixdorf Informationssysteme as Mr Wiedig's deputy.

The merger will take effect in October.

Siemens will today mark out the value of the assets it is to put into the new company to achieve a stake of about 70 per cent.

Nixdorf has already announced a loss of DM1.07bn ($636m) for last year, including restructuring costs. Actual operating losses totalled DM849m, though this year has seen an improvement.

Nixdorf's annual meeting on August 23 will vote on the capital increase under which new shares will be created to be exchanged for Siemens' computer assets. Siemens will also propose its board appointments for approval by the supervisory board.

It is expected that Mr Sven Kado, Nixdorf's finance director, will leave the company, along with four other directors. Next to Mr Nasko, the only other Nixdorf man on the new Siemens-Nixdorf board is likely to be Mr Heinz-Dieter Wendorf, responsible for bank terminals.

● Siemens has announced that it is working on a feasibility study to build a nuclear-powered area heating system for the Czech town of Pilsen.

Attempt to revive Enasa takeover

By Peter Bruce in Madrid

LAST DITCH attempts to salvage the stalled Pta28bn ($275m) takeover of Enasa, Spain's biggest truck producer, take place in Bonn today.

Mr Claudio Aranzadi, Spain's Industry Minister, is to see Mr Helmut Haussmann, the West German Economics Minister. He hopes to overcome objections to the acquisition of Enasa by Daimler-Benz and MAN.

The two German companies won a close-run contest against Fiat, DAF and Volvo late last year to buy Enasa, which is controlled by INI, the state industrial holding company.

MAN was to to take 60 per cent of the group and Daimler 20 per cent. INI would continue to hold 20 per cent of the shares, and would also buy an 8 per cent stake in MAN.

The West German Cartel Office and the European Commission have opposed the deal.

Various proposals, from the EC and from the Spanish government, for restructuring the acquisition have found little favour. Daimler and MAN have until July 15 to come up with alternative proposals but they have said they are only prepared to go ahead on the terms agreed last December.

Claudio Aranzadi: in Bonn

Mr Aranzadi will today try to persuade Mr Haussmann to overrule any final Cartel Office ruling against the merger. The law empowers him to do this if he invokes the national interest, something that might be difficult in this case.

Mr Aranzadi will also meet Mr Edzard Reuter, Daimler's chairman, and Mr Klaus Götte, chairman of MAN, to establish just how keen they are on the deal. MAN is suggesting that buying into Enasa no longer fits its strategic plans, and Spanish officials believe Daimler has lost interest.

The uncertainty is damaging Enasa's prospects, according to officials in Madrid. Sales have fallen and stocks are rising as customers opt for safety and choose steadier competitors. After breaking even last year, Enasa is said to have lost more than Pta4bn so far this year.

Enasa's Pegaso trucks have a leading 32 per cent share of the rapidly growing Spanish market for trucks of more than 15 tonnes. Enasa has a 5.8 per cent share of the European market for trucks of more than 9 tonnes.

If the West German acquisition falls through, the leading contender to buy Enasa would be Fiat of Italy, which was strongly favoured by Mr Aranzadi at the time of the original deal.

W German insurer in unusual rights issue

By Katharine Campbell in Frankfurt and Haig Simonian in Milan

AACHENER und Münchener Beteiligung (AMB), the West German insurer, is raising DM448.25m ($270m) through an unusually structured rights issue which is likely to be taken up entirely by Fondiaria, the Italian insurer with which AMB has links.

AMB has a majority stake in West Germany's BfG, the loss-making former trades union bank which is engaged in a strategic reorganisation. BfG has said it needs to raise DM1bn from its two shareholders, AMB and the trades union holding company, by the end of the year.

AMB, which became involved in the bank before the extent of its exposure to the Co op retailing fiasco was known, is being asked to contribute about DM500m of the total.

In what is seen as a gesture of reciprocity for AMB's participation in the Italian group's recent reorganisation, Fondiaria will acquire a 5.8 per cent stake in AMB, if it takes up all the rights.

Costing DM1,630 each in a one for 16 offering, the 275,000 new shares are priced at a substantial premium to existing AMB paper which is trading in the market at about DM900.

Fondiaria's 5.8 per cent stake will cost L329bn, making it the second biggest shareholder in AMB after Royal Insurance of the UK, which has a 20 per cent stake.

While the rights premium effectively disenfranchises other AMB shareholders, who are unlikely to subscribe at that price, the new block of more costly shares will increase the net asset value.

According to Mr Helmut Gies, chief executive, speaking at yesterday's annual general meeting, even if shareholders do not exercise their rights, their respective holdings will "not be diluted."

Mr Bob Yates, head of Euroequities at Fox-Pitt, Kelton in London, argued that shareholders would only be cheated if the move led to control of AMB passing to Fondiaria, a course he considered unlikely.

Lex, Page 18

Asset sales save Enimont from loss in first half

By John Wyles in Rome

RELATIONS between the leading shareholders in Enimont, Italy's turbulent public-private chemicals joint venture, touched a new low yesterday with the disclosure that only asset sales prevented the company from registering a loss in the first half of the year.

While details of the various sales have not yet emerged, the L500bn which they have yielded helped carry Enimont to a pre-tax profit of L182bn ($149m) in the first six months. Net operating profits were L477bn, the gross operating margin L937bn and total sales L7,111bn. No comparable figures were available for the same period last year.

Announcing the figures, Mr Sergio Cragnotti, managing director, caused some surprise by accusing Eni, the state energy company which owns 40 per cent of the joint venture, of trying to frustrate the recent floating of a $1bn medium-term loan. Eni had exercised "explicit pressures" on financial market operators "to have the loan denied."

Eni responded with a quick denial, accusing Mr Cragnotti of giving credibility to "irresponsible rumours," and calling for "a quick correction."

Eni said it had never been obstructive, and was doing everything possible to defend its capital investment and the interests of Italian chemicals. It suggested that Mr Cragnotti might be trying to cover-up "now undeniable management inadequacies" or other "particular interests."

Since Mr Cragnotti is Mr Raul Gardini's choice of managing director, the Eni statement serves to confirm the continuation of open warfare between the state shareholder and Mr Gardini's Montedison, which also has 40 per cent of Enimont.

Yesterday's exchanges follow a sharp division between the two sides over Mr Cragnotti's five-year business plan for Enimont with Eni contesting a proposal to raise a further L1,000bn through sales of refining and fertiliser production assets.

The plan did not win the necessary two-thirds majority at a board meeting last Friday and will be put to a shareholders' meeting this Friday. If Eni continues to block it, then Mr Cragnotti will call a shareholders' meeting where Montedison can muster a simple majority for the plan to be adopted.

Reemtsma to take over E German cigarette maker

By David Goodhart in Bonn

REEMTSMA, the West German cigarette manufacturer, is taking over the main cigarette producer in East Germany, VEB Tabak Nordhausen, based in Thuringia.

Mr Ludger Staby, Reemtsma chairman, said the deal was confirmed but that the company was waiting for the accountants to decide on the valuation of VEB Tabak.

Reemtsma has provided VED Tabak with new machinery and helped to develop a lower tar version of Cabinet, the most popular East German cigarette which holds about 33 per cent of the market. Under the Reemtsma-Tabak deal the number of workers in the East German plant will be held at 850 (currently 936) at least until the end of 1992.

Mr Staby said that VEB Tabak, now converted to Nortak GMBH, should remain competitive because of its lower wages.

Reemtsma holds about 23 per cent of the West German market. Turnover for the parent company was down slightly to DM1.5bn ($909m) in 1989 and pre-tax profit was down from DM252m to DM136m. Mr Staby said this was due to "balance sheet measures."

Nippon Yusen buys shipping group

By Karen Fossli in Oslo

UGLAND Aal Car Carriers (UACC), a joint venture shipping company partly owned by one of the oldest Norwegian shipping families, has been sold to Nippon Yusen, Japan's biggest shipping company, for about $170m.

For Nippon Yusen, the purchase represents the first step into the transportation business in Europe ahead of the planned 1992 internal market reforms. Demand for transportation within the region is expected to grow rapidly.

UACC is based in the Cayman Islands, but Andreas Ugland Car Carriers, its biggest shareholder with a 35 per cent stake, is based in the tiny Norwegian west coast town of Grimstad. The other owners are the Aals, a Japanese-based Norwegian shipping family, and Davila, a Spanish shipping agent.

The deal involves 19 "short sea" car carriers with a combined transport capacity of 11,700 vehicles. Short sea carriers normally operate short-distance deliveries between markets and not in open seas like their counterparts, "deep sea" carriers.

Last year the Ugland family reorganised their businesses into two different companies, Ugland Rederi, which is controlled by two brothers, and Bergsal, which is controlled by two sisters.

Mr Andreas Ugland said yesterday that the deal was very complex but that the Japanese "had kept the total organisation intact to ensure customer continuity." All workers at UACC will continue their jobs with Nippon Yusen.

After the takeover, Nippon Yusen apparently plans to carry cars made not only by European manufacturers such as Fiat and Volkswagen, but those produced by Japanese car makers in Europe as well.

● Norway's Mosvold Shipping is to buy a controlling interest in Dual Drilling, a US oil drilling company, from parent Bechtel Investments of San Francisco for $170m, Reuter reports. Dual has a fleet of 32 rigs – 10 deep drilling platform rigs, seven deep water jack up rigs and 15 land rigs.

Claudio Aranzadi: was keen for Fiat to buy Enasa

Edzard Reuter: Daimler may raise its stake

Klaus Götte: MAN could end its part of the deal

Sir Leon Brittan: suggested Enasa should be split

Spain 'desperate' to save Enasa deal

By Peter Bruce in Madrid

MR CLAUDIO ARANZADI, the Spanish Industry Minister, is due to hold talks with the West German Government in Bonn today in what officials in Madrid admit is a "desperate" effort to salvage the unconsummated Pta28bn ($275m) acquisition of Enasa, Spain's biggest truck producer, by Daimler-Benz and MAN.

Daimler and MAN won a close-run contest against Fiat, DAF and Volvo late last year to buy Enasa, which is controlled by INI, the state industrial holding company.

Under the deal, MAN would take 60 per cent of the group and Daimler 20 per cent. INI would continue to hold the remaining 20 per cent and would purchase an 8 per cent stake in the MAN holding company.

But the deal, which made the Spanish allies of two of Europe's most powerful truck makers, is rapidly going sour.

There is deep concern in Madrid that the purchase may not go ahead. The West German Cartel Office, in a provisional announcement in May, opposed it, saying that it would mean that Daimler and MAN, which already control more than 80 per cent of the West German truck market, would have to collaborate and that this would affect the local market.

Shortly afterwards, Sir Leon Brittan, the European Competition Commissioner, also pronounced against the deal, suggesting Enasa should be split into two, with Daimler taking its light truck division and MAN buying the heavy truck operations.

The Spanish responded in June with a proposal that an Enasa holding company be created and held by Daimler, MAN and INI and that its light and heavy truck operations be split and managed separately by Daimler and MAN. There has been no response to this suggestion but the Industry Ministry in Madrid knows it is only a cosmetic change to the original agreement, and the Cartel Office's objections remain unchanged.

The Cartel Office has allowed Daimler and MAN until July 15 to come up with alternative proposals but both companies have been insisting that, though they want to buy Enasa, they are only prepared to do so under the terms agreed last December.

Mr Aranzadi will thus try to do two things in Germany this week. Today he will try to persuade Mr Helmut Haussmann, the German Economics Minister, to agree to overrule any final negative Cartel Office judgment as he did recently to allow the takeover by Daimler of Messerschmitt-Bölkow-Blohm.

This will be hard to do as Mr Haussmann has to invoke the "national interest" to thwart the cartel authority.

Tomorrow, Mr Aranzadi meets Mr Edzard Reuter, Daimler's chairman, and Mr Klaus Götte, chairman of MAN, mainly to discover whether they are still interested in pressing ahead with the deal. One possibility would be MAN completing its part of the acquisition alone, and taking 60 per cent of Enasa. But MAN refuses to enter Spain without Daimler and is suggesting that, anyway, buying into Enasa no longer fits its strategic plans.

Although Daimler, according to one Spanish report, would be prepared to raise its stake to 80 per cent and come on its own, government officials here reckon it too has lost interest in the Spanish acquisition.

Spanish officials openly suggest that the West German companies' original efforts to buy Enasa may simply have been motivated by a desire to prevent Fiat from gaining a bigger share of the European market.

"There seems to be some doubt about [Daimler's] real interest in buying Enasa," said a senior government official in Madrid yesterday. "You have to ask yourself what the real reasons for the Germans bidding were."

These officials suspect that both Daimler and, perhaps, MAN, may now want to direct their energies to the east European market and are finding both the Cartel Office and Commission judgments convenient covers behind which to continue professing support for the original deal while knowing that it cannot be implemented.

Enasa, officials say, is being seriously damaged by the doubts about its future ownership.

Sales have fallen and stocks are rising as customers opt for safety and choose steadier competitors. After breaking even last year, Enasa is said to have lost more than Pta4bn so far this year.

If the deal fails for lack of an alternative design, that alone could weigh heavily on the chairman of INI, Mr Jordi Mercader, who pressed the West German bids ahead of Fiat, which was strongly favoured by Mr Aranzadi.

"If only we had sold Enasa to Fiat none of this delay would have happened," complained one government official, who asked not to be named. Mr Aranzadi had been keen for Fiat to buy Enasa to secure plans by the Italian state-owned glass producer, SIV, to build a float glass plant in Galicia in northern Spain.

If the West German acquisition falls through, Fiat would obviously be the leading contender to buy Enasa, although both DAF and Volvo might bid again. Enasa's Pegaso trucks have a leading 32 per cent share of the rapidly growing Spanish market for trucks of more than 15 tonnes.

The Spanish have, in all, a 5.3 per cent share of the European market for trucks of more than 9 tonnes.

Mr Aranzadi, though, has to at least go through the motions of trying to save the Daimler-MAN agreement. The obvious failure by all the parties concerned to forecast the Cartel Office's objections is most embarrassing for Madrid, which has been made to look naive and inexperienced abroad and incompetent in formulating industrial policy at home.

The EC's opposition is assumed to have been copied from Berlin and would probably be hard to sustain if Mr Aranzadi managed the impossible today and tomorrow and persuaded Mr Haussmann to help him – or at least got MAN to change its mind and to come to Spain alone.

INTERNATIONAL COMPANIES AND FINANCE

Corona bid for Stikine sweetened at 11th hour

By Robert Gibbens in Montreal

CORONA Corp, the big Ontario gold producer, has sweetened its bid in an 11th-hour effort to wrest control of Stikine Resources from Placer Dome, North America's biggest gold producer.

Stikine is an exploration company owning 50 per cent of the Eskay Creek gold property in north western British Columbia with an estimated value of more than C$500m (US$427m).

Corona, headed by Mr Ned Goodman, the Toronto financier, has dropped an earlier plan to restructure the whole Corona group. It is now offering new Corona preferred stock with an estimated value of C$70 for each Stikine share.

Stikine stock was halted on the Toronto Stock Exchange early yesterday at around C$72 a share just before the Corona plan was announced.

Placer has offered C$67.50 per Stikine share in cash or Placer stock, and said last week that the bid would not be extended after tonight. Placer has completed the sale of its energy assets, and has more than C$1bn in cash.

Its offer values Stikine at a total $230m.

Corona now says it has received commitments from the four largest holders of Stikine to sell their shares for the new Corona preferred, paying a competitive rate of dividend.

The preferred can be redeemed after December 31 1990 and mature in 1992. Alternatively each Stikine share could be exchanged for 8.5 Corona subordinate voting shares at any time.

With these commitments Corona claims it has 43 per cent of Stikine and would make a follow-up offer for all the shares not held by Placer.

This would give it 55 per cent of Stikine and effective control of Eskay Creek, against Placer's 45 per cent. No immediate comment was available from Placer. It is a week since it announced it had accumulated 45 per cent.

CGS plans big European shake-up

By William Dawkins in Paris

CAP GEMINI Sogeti (CGS), the leading French computer systems group, is in the early stages of planning a big re-organisation of its management structures across Europe.

Mr Philippe Gluntz, the former managing director of Alcatel, Europe's largest supplier of telecommunications equipment, has moved to CGS to advise on how it should adjust its organisation in line with the increasingly international behaviour of its corporate clients.

Mr Gluntz is known for having handled the 1986 merger of the European telecommunications equipment businesses of ITT of the US and France's Compagnie Générale d'Electricité to form Alcatel. Since then he has admitted differences of view with Mr Pierre Suard, the telecommunications group's chairman.

Mr Gluntz expects to table plans for a new organisation for CGS in one to two years. "This will be a major change of approach to the business, compensation systems, reporting and everything else . . . But as in any service business, it will have to be done with the complete consensus of the management," he said.

This was a natural moment to leave Alcatel because the first phase of merging the two sides was complete, though Mr Gluntz has differed with Mr Suard over management style and the amount of French influence in the group.

He had opposed Mr Suard's decision to shift Alcatel's headquarters from Brussels to Paris two years ago. Mr Gluntz will not be directly replaced at Alcatel because operating decisions have increasingly moved to the directors of its four product units – public switching, business systems, radio communications and cables.

An aggressive acquisition programme has left CGS with 22 autonomously managed subsidiaries in 12 countries outside France and 14 offshoots on its home territory, employing more than 10,000. The group belives it should now organise its offshoots by business segment, rather than geographical area, so that it can cope better with clients' specialised needs.

CGS is a systems integrator, which means it selects the most appropriate hardware and software to tackle customers' problems, a growth area in the otherwise sluggish computer industry. However, computer makers are also going into systems integration, so putting pressure on CGS to offer more specialised services.

Club Med earnings fall as sales rise by 8%

By George Graham in Paris

CLUB Méditerranée, the French holiday tour operator, has reported a small drop in first-half earnings despite stronger sales and a much improved performance from its US operations.

Net profits in the six months to April 30 fell by 3 per cent to FFr116.6m ($20.9m), although sales rose by 8 per cent to FFr3.67bn.

Club Med's listed US subsidiary, Club Med Inc., had earlier reported a 37 per cent jump in first-half net profits to $31.4m. However, with a decline of 6.4 per cent in the value of the dollar, the contribution to the parent company's results grew less strongly.

The French group, famous for its swinging seaside holiday villages, said the number of hotel nights sold increased by 4.3 per cent from the same period of 1988 to 3.5m, but the shortage of snow depressed the results of its European ski resorts while Brazil's austerity plan affected its Latin American earnings.

Club Med shares have underperformed in recent months as speculative interest died. They have recovered strongly this week, however, closing yesterday at FFr644, up 2.2 per cent on the day.

Alitalia quits race for Argentine airline

By Gary Mead in Buenos Aires

ARGENTINA'S planned privatisation of Aerolineas Argentinas, its national airline, has been thrown into confusion with the withdrawal of another international operator, the Italian company Alitalia.

Mr Mario Guaragna, undersecretary at Argentina's Public Works Ministry, announced Alitalia's decision late on Monday. A month ago American Airlines also abruptly pulled out of the running.

Alitalia's decision comes just three days before the Government is scheduled to announce bids for the 85 per cent of Aerolineas which is for sale.

A cash price of $220m plus debt-equity exchange of $1.5bn are the minimum terms placed by the Government for the purchase of 85 per cent of Aerolineas. The Government has been hoping for offers considerably in excess of the minimum, given the strong desire of foreign banks to clear as much as possible of their Argentine debt, on which no interest payments were paid between April 1988 and June this year.

Alitalia had been working in association with Citibank, the US bank, which last week scored a big success in the privatisation of ENTel, the telecommunications company.

Alitalia's withdrawal means that only two groups remain publicly interested in Aerolineas. KLM, the Dutch airline, partnered by Varig, the Brazilian company, and under the umbrella of Chase Manhattan, the US bank, faces competition from Iberia, the Spanish airline, whose main associate is the Cielos del Sur, the Argentine company which owns Austral, the largest domestic carrier.

However, there are strong suggestions in Buenos Aires that the KLM-Varig-Chase group may also walk out before July 6. Ironically, one reason being put forward for the last minute collapses is the success of last week's ENTel privatisation, which featured $5bn in debt-equity exchanges and agreed on trading Argentine debt at 13 per cent of its face value, the figure most recently quoted on secondary debt markets.

ENTel's better-than-expected sale is now leading to disputes on both sides about the true value of Argentine debt, with Argentine government pressure to trade the debt for Aerolineas equity at a rate higher than 13 per cent.

Variegated past of perennial General Host

Andrew Baxter on the patchy progress of the largest US operator of retail nurseries

MR Harris Ashton's annual trips across the Atlantic to fertilise investor interest in General Host, the largest US operator of retail nurseries, would not be complete without a few down-to-earth comments on the state of the industry elsewhere.

Commenting on garden centres in the UK, Mr Ashton, chairman of the Connecticut-based concern, calls a spade a spade: "They're almost like an outing, serving you lunch and looking after your children. I don't see the return on investment there . . . There's too much space chasing too few dollars."

Mr Ashton, however, has had problems in his own backyard in recent years during a headlong rush in the mid-1980s to expand his flagship subsidiary, Frank's Nursery & Crafts, which now has 273 outlets, mainly in the east, midwest and south of the US. General Host's sales last year were just less than $500m, making it the second largest nursery sales company after K mart, the discount retailer.

Encouraged by demographic trends – the middle-ageing of the baby-boom generation with its high disposable income – and the highly-fragmented nature of the garden industry, store openings reached a frenetic 61 in 1986, more than one a week. But General Host's technology and management controls failed to keep pace.

A programming error in a computer system introduced in 1986 meant that inventories were being measured inaccurately, and that Mr Ashton and his team were making decisions based on wrong information. The manager responsible for the mess, which cost $23m before tax, was sacked, but Mr Ashton resisted the normal US practice in these circumstances, which is to call in the lawyers.

"The computer programme error set us back four years," he says. "We decided not to sue the accountants but sat down with them to work out some changes."

The episode has proved to be a blessing in disguise for General Host. Mr Ashton says frankly that "we tried to grow the company too fast, and we fell on our face." Store openings are down to a more manageable level, with 10 new outlets projected this year. Costs have been pruned at head office and individual stores, and just-in-time stock controls introduced to keep wastage of "live" plants to a minimum.

At the same time, the company is hoping to make technology work in its favour rather than to its detriment. Laser-scanning is set to be introduced at all General Host's check-outs by November, speeding up queues, cutting theft by customers and opening the way to automatic stock reordering.

Harris Ashton: hopes to step up pace of expansion

The new approach has helped General Host weather two tough years for the lawn and garden industry, which is reckoned to have yearly sales of $16bn. That, however, includes $3bn for lawn mowers and power tools which General Host does not sell, but excludes the craft sector which is about the same size, and similarly fragmented.

The nursery business, inevitably, is strongly influenced by the weather, and the 1988 US drought left sales falling. Last year, conversely, heavy rains in the important spring season discouraged people from fertilising and seeding their backyards, and sales suffered again.

Fortunately for General Host, it has been bolstered financially by its variegated past. Throughout the 1980s Mr Ashton attracted a strong following among European institutional investors for his energetic, and generally profitable, trading of business units to "enhance shareholder value," culminating in the 1987 sale of All American Gourmet, an upmarket frozen food producer, to Kraft for a net gain of $87m.

With this phase apparently over, Mr Ashton is now concentrating on a mix of lawn and garden products, crafts and Christmas products to reduce the inevitable seasonality of the garden business.

If anything, the outlook for the industry is even better than five years ago, with gardening becoming increasingly popular as a hobby for ageing yuppies, and environmental programmes, such as President Bush's plant-a-tree campaign, providing an added boost.

Weather forecasts are also becoming more reliable, an important factor if advertising campaigns are not to be wasted by starting on a rainy weekend.

Mr Ashton says there is scope for Frank's to have 1,000 US outlets eventually, but is in no hurry to reach that figure. General Host is concentrating on steadily developing clusters of outlets to spread advertising costs, filling in gaps instead of branching out into virgin territory. Even so, lower real estate values are opening the door to affluent areas hitherto avoided by the company, such as Fairfield County, Connecticut.

Analysts seem confident that the new strategy will feed through to profits, which were a puny $881,000 or five cents a share last year from continuing operations, after three years of losses. Earnings per share for 1990 and 1991 are predicted by New York broker Furman Selz Mager Dietz & Birney to reach 30 cents and 60 cents respectively.

Next year, Mr Ashton hopes to step up the pace of expansion a notch, but sees no need to take Frank's abroad, with "too much to do in the US." He recently turned down an approach to open on a franchise basis in Japan, but says the Frank's approach has relevance in Europe.

"People have come over and looked at our stores and copied the concept," Mr Ashton says. Many UK garden centres, no doubt, would claim they reached the same product mix independently.

Saks expects 20% lower profit than forecast at bid

By Karen Zagor in New York

SAKS Fifth Avenue, the well-known US retail chain which was acquired by the Bahrain-based Investcorp for $1.6bn in a deal completed on Monday, is expected to have first-half trading profits of $26.4m, about 20 per cent less than Investcorp had forecast when it bid for the company.

It is expected that Saks, previously owned by the UK's BAT Industries, will post $73.5m in second-half trading profit, which is net income plus interest expense, taxes and amortisation. Last year, Saks recorded trading profit of $110.5m.

Although Saks plans to expand its New York flagship store this year and is relocating its Chicago store to a larger site, Investcorp's capital spending is expected to fall to $23m by 1995 from $97m this year.

Investcorp has projected that Saks will increase its store base by only one store, to 49, in the next five years.

According to a New York-based retail analyst, the first-half trading profit figures were not surprising, given the turmoil that usually occurs during a takeover.

However, several Saks stores are in need of remodelling and Investcorp may find it needs to increase its capital spending allowance for Saks.

Melville takes on Circus World toy shops for $95m

By Karen Zagor

MELVILLE, the diversified speciality US retailer whose businesses include toy, shoe and drug stores, yesterday said it would acquire the operating assets of Circus World Toy Stores in a deal worth about $95m in cash, making Melville the largest US toy retailer operating in shopping malls.

The acquisition of Circus World's 330 stores, which last year had sales of $177.6m, will make Melville second only to Toys "R" Us in overall domestic toy sales.

Circle World will become part of Melville's Kay-Bee toy store division, which operates 770 stores and last year had sales of $724m. According to Mr Gilbert Harrison, chairman of Financo, the New York investment company which advised Melville in the transaction, there is some overlap in the Circus World and Kay-Bee operations, but it is not unusual for retailers to operate several similar stores in shopping malls.

Shares in Melville added $⅞ to $53¼ at midday yesterday on the New York Stock Exchange. The company's stock traded in a range of $36⅞ to $58⅞ last year.

Melville has been on somewhat of a shopping spree in the past week. The company acquired Peoples Drug Stores last week for $330m, which will make Melville the fifth-biggest US drugstore chain. The Peoples takeover will be financed from operating cash flow and existing lines of credit.

Melville said it would finance the Circle World acquisition from operating cash flow and existing lines of credit.

State guarantees return of Farrow depositors' funds

By Kevin Brown in Melbourne

THE VICTORIA state Government yesterday bowed to political pressure and agreed to guarantee a full return to depositors in the failed Farrow Corporation building societies group.

Mr John Cain, the state premier, said the Government would ensure that about A$1.3bn (US$1bn) of depositors' funds would be repaid in full "over time."

Meanwhile, the state Government would finance a payment of between 20 cents and 25 cents in the dollar "as soon as possible" to ease hardships being faced by the group's 200,000 depositors.

The government guarantee depends on the agreement of a syndicate of 13 banks, which would have to postpone plans for an immediate sale of Farrow's assets to recover secured debts of more than A$900m.

The banks had not responded to the Government's proposals last night, but the syndicate was thought unlikely to put the plan at risk.

The announcement followed a stormy meeting of the Victorian parliamentary Labor Party, at which Mr Cain was warned that public anger over the Farrow collapse could bring down the state Government.

The Government had previously refused to accept moral or legal responsibility for the collapse, in spite of a Cabinet statement in February that there was no need for depositors to withdraw their funds.

The privately owned Farrow group ceased trading a week ago after the state Government put in an administrator to deal with a liquidity crisis brought on by low-margin lending.

The crisis came to a head on Monday, when the group's three building societies – the Pyramid, Countrywide and Geelong – failed to reopen their doors after the failure of weekend attempts to find a buyer for the group.

Other Victorian building societies reported increased business yesterday, but none appeared to be suffering from a run on funds, and all were operating normally, without restrictions on withdrawals.

The liquidity of the remaining societies was underwritten on Monday by a line of credit extended by banks.

PIA aims to boost global activity

By Paul Betts, Aerospace Correspondent

PAKISTAN International Airlines (PIA), Pakistan's state-owned carrier, is seeking to boost its international operations to raise foreign currency revenues to offset its loss-making domestic operations.

Mr Arif Abbasi, the airline's new managing director, said in an interview in London yesterday that PIA's domestic operations were expected to lose the equivalent of £10m ($17.5m) this year.

Mr Abbasi, who returned to the airline about nine months ago following the change of Government in Pakistan, has also decided to introduce more rigorous accounting procedures at PIA. He said he wanted the airline to report its operating results in US dollars because reporting the figures in local currency was a form of disguising the real financial state of the carrier.

Changes in the management structure and attitudes of the airline, coupled with recent negotiations with five labour unions, have strengthened morale at PIA, Mr Abbasi claimed.

The airline is now making a big effort to restore its international image by refurbishing its fleet, redesigning crew uniforms and improving food and service. The PIA managing director said the airline was negotiating a new catering agreement for the airline with, among others, Lufthansa and the Maxim group.

PIA is also expected to complete a blueprint of its fleet modernisation needs in the next few months. However, Mr Abbasi appears to be in no hurry to embark on expensive new aircraft purchases at this stage, placing the priority on improving the airline's current international revenue earning operations. The airline operates a fleet of Boeing 747s, Airbus A300s, Boeing 737s, Boeing 707s and Fokker F27s.

Among other imminent moves are negotiations to join international computer reservation systems. Mr Abbasi also has his eye on expanding routes to eastern Europe, which he believes has "tremendous potential," as well as to Sydney, Australia.

He appears confident that the various moves undertaken by the airline should restore underlying profitability, with the carrier showing good results in US currency terms next year.

Mine criticised for altering offer terms

THE Kuala Lumpur Stock Exchange (KLSE) yesterday criticised Sungei Besi Mines for revising the terms of its offer for a stake in Tradewinds (Malaysia), terming the alteration "totally irresponsible and unbefitting of a public listed company," AP-DJ reports.

In April, Sungei Besi proposed to take a 26.7 per cent stake in the plantations group and sugar refiner, offering M$4 (US$1.5) a share for the 37.4m Tradewinds shares. The tin mining group was to issue 12.5m shares at M$12 each to buy the stake from Perbadanan Nasional, the government investment fund that controls Tradewinds.

On June 11 it lowered the proposed price of the shares it would issue to M$4. The company cited a weaker market price of its shares, but also blamed a predicted level of 1990 earnings and net assets which were carried in a circular issued in December 1989.

The exchange said that Sungei Besi's actions were misleading to the public. Sungei Besi shares have fallen sharply from M$12.50 since the offer, closing yesterday at M$5.70.

Bond Corp plans to change balance date

By Gordon Cramb

MR ALAN BOND'S debt-laden group of Australian companies plans to change its year-end to September, it announced yesterday – three days after shareholders and creditors had assumed that its latest year to the end of June had finished.

The unusual move was being studied last night by the Australian Stock Exchange and the National Companies and Securities Commission, the country's corporate watchdog.

If a change is sanctioned, it will be the latest in a line of technical, procedural and accounting devices deployed by the group to stave off a threat of liquidation which has been hanging over the Perth-based Bond Corporation for more than six months.

The delay is intended to allow the transfer of its Swan, Castlemaine XXXX and Toohey's brewing interests to Bell Resources, an independently managed 58 per cent subsidiary, in time for the A$1.8bn (US$1.4bn) deal to be reflected in Bond's 1989-90 accounts.

This deal was stalled first when Bond Brewing Holdings, the unit involved, was put temporarily into receivership at Christmas at the behest of a syndicate of bank creditors. After two months Bond succeeded in having the court ruling overturned.

It still awaits approval by holders of the group's convertible bonds, after inconclusive meetings in London last week. At the one meeting last Thursday which gained a quorum, an adjournment was unexpectedly called when it became clear that the group had not been able to muster the necessary majority to vote through an interest moratorium and changes in the terms of the bonds which would permit the breweries to be sold.

These meetings are being reconvened on July 19, when bondholders will be told that a rejection would be likely to trigger the liquidation of Bond Corp.

The statement by the company yesterday said the change in balance date also affected all Bond Corp subsidiaries – suggesting that this would include Bell Resources and Bell Group, the two main quoted offshoots, in spite of Mr Bond and his executives no longer representing a majority on their boards.

Bond Corp made a net loss of A$980m in its year to June 1989, and this had been expected to widen significantly if its latest year had ended last month. In the first six months to December the loss reached A$758.2m.

Carter Holt and BIL may form partnership

CARTER HOLT Harvey, the New Zealand forestry group which last month agreed to buy 52 per cent of Elders Resources NZFP from Australia's Elders IXL, may soon have as a partner Brierley Investments (BIL), New Zealand's leading entrepreneurial group, writes Dai Hayward in Wellington.

BIL and Carter Holt have been discussing the possibility of BIL taking a larger share in the company. This would probably be done by buying some of the 25 per cent stake in Carter Holt owned by the Carter family.

BIL obtained 5 per cent of Carter Holt when it sold its joint holding of Printpack UEB. It also gained about 4 per cent of Elders Resources.

Mr Bruce Hancock, BIL chairman, would not comment on how much of Carter Holt it would like to own, but said that BIL was very impressed with Carter Holt and would like greater participation.

Mr Richard Carter, chairman of Carter Holt, may be interested in a deal with BIL to help relieve his company's debt level.

US institutions buy 45m shares in Robt. Jones

ROBT. JONES Investments (RJI), a New Zealand property company, said yesterday that US institutions had bought 45m shares in the company through a recent promotional tour to New York and Boston, AP-DJ reports from Wellington.

The shares came from accumulated treasury stock and from its employee unit trust. It said the shares were placed at market value, but gave no details of price or the identity of the buyers, although Sir Robert Jones, chairman, said the stock seemed to have particular appeal to education-oriented US pension funds.

International investors now hold 150m shares, or 20 per cent of RJI, he said.

The stock price has ranged between 95 cents and NZ$1.05 over the last month.

Yesterday it rose 1 cent to 99 cents as the sales were booked – turnover in RJI reached 45.2m shares valued at NZ$44.3m (US$26.2m) and accounted for the bulk of the day's dealings on the exchange, of 53.2m shares valued at NZ$62.3m.

JAL plans charter venture

JAPAN Air Lines (JAL), the country's flag carrier, is to establish a Tokyo-based international charter flight company, Reuter reports from Tokyo.

A JAL official said most flights would be between Honolulu and Japanese regional cities such as Fukuoka. Other destinations would include Hong Kong, Singapore, Guam, Saipan and Bangkok, and operations would be launched in April next year.

JAL would provide an initial Y3bn ($11.2m) in financing, but might seek partners among marine transport companies and travel agencies if the venture was successful, he said.

The new charter company plans to use one DC-10 and two Boeing 767 aircraft leased from JAL, and intends to employ foreign crews to cut operation costs. The official indicated that charter flight fares were expected to be 60 per cent of regular fares.

● Spiralling oil prices, combined with a rising Singapore dollar and wage inflation, have weighed down the profitability of Singapore Airlines, Mr J.Y. Pillay, the chairman, said, Kyodo reports. He said in the annual report it was worrying that productivity had fallen behind wage increases.

INTERNATIONAL CAPITAL MARKETS

Bunds firm as investors digest currency union

By Deborah Hargreaves in London and **Karen Zagor** in New York

THE market for West German bunds was firmer yesterday following some strong buying from domestic investors in the *middle part of the yield curve.* As the effect of German economic and monetary union is digested, retail investors are emerging with a keen appetite for government paper.

The speech by Mr Karl Otto Pöhl, president of the Bundesbank, on Monday evening prompted a stronger opening for the bund market.

Mr Pöhl said he was sure that German cost and price pressures would remain under control due to monetary union.

Investors in Germany are awaiting today's first issue of bonds for the German unity fund which the market expects to come at a price of 101 with an issue size of DM5bn to DM6bn.

The London International Financial Futures Exchange clarified its position on the new bonds in a release yesterday.

The exchange has reiterated that German unity bonds will not be deliverable against futures positions in the September and December delivery months of its contract. The exchange said it was taking the action to protect the integ*rity of existing positions held* in the contract that were opened on the understanding that buyers would receive regular bund issues.

Liffe says it is still reviewing the legal specification of the bund contract to be listed in March 1991 and ensuing months to determine whether German unity funds will be included. However, it is likely to come under pressure to include these issues after the Deutsche Terminbörse, Frankfurt's new futures exchange, announced it would accept unity bonds for delivery against its own Bund futures contracts which are due to start up in September.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	94-13	-04/32	12.42	12.34	12.60
		10.500	5/99	92-26	-15/32	11.81	11.55	12.00
		9.000	10/08	84-24	-23/32	10.94	10.67	11.01
US TREASURY *		8.875	05/00	103-05	+03/32	8.40	8.50	8.44
		8.750	05/20	103-26	+02/32	8.39	8.49	8.43
JAPAN	No 119	4.800	6/99	86.6937	+0.191	7.25	7.14	6.86
	No 2	5.700	3/07	91.3932	+0.215	6.80	6.71	6.45
GERMANY		7.750	02/00	94.4000	+0.300	8.61	8.71	8.69
FRANCE	BTAN	9.000	02/95	96.5287	+0.071	9.94	9.97	9.98
	OAT	8.500	03/00	93.2400	+0.210	9.58	9.59	9.64
CANADA *		9.750	06/00	94.3500	+0.150	10.69	10.78	10.73
NETHERLANDS		9.000	05/00	101.2100	+0.230	8.81	8.86	8.92
AUSTRALIA		12.000	7/99	92.7008	-0.185	13.42	13.57	13.44

London closing, *denotes New York closing session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

■IT was a confusing day for gilt-edged securities as the market opened firmer on the back of a stronger pound, *but* dropped off later in the day. *Economists* were at a loss to explain the ¾ of a point drop in gilt prices beyond attributing it to marketmakers offloading stock in futures-driven activity.

Liffe's gilt futures contract opened at 84.24, moved up to a *high of 85.26 and* then fell back towards the close to a level of 84.14. Mr Chris Antony, at UBS Phillips & Drew, believes that the market is going through a consolidation phase which should see long-term yields going up to about 12 per cent.

■US Treasury bonds traded in a narrowly mixed range yesterday before ending the day slightly higher in desultory trading before the Independence Day celebrations. The market closed at 2 pm yesterday.

The Treasury's benchmark 30-year bond closed up ⅛ point at 103⅝, yielding 8.38 per cent, while shorter-dated maturities were about ⅛ point higher.

Fed Funds were trading at 8¼ per cent when the Federal Reserve added reserves to the banking system by arranging $2.5bn customer repurchase agreements. The Federal Reserve's target for the rates is believed to be 8¼ per cent. They ended the day at 8⅛ per cent.

The market found nothing exciting in the release of May factory orders, which rose 2.1 per cent. The decline in April was revised to 2.1 per cent from 2.3 per cent. Excluding transportation orders, factory orders increased 0.8 per cent in May, while non-durable goods orders were flat.

However, more weight is likely to be given to the economic indicators for June, which will start with the release of employment data on Friday.

GOVERNMENT BONDS

BTA stake should raise Es22bn

THE public flotation of a further 31 per cent of Banco Totta e Acores (BTA), the Portuguese bank, is scheduled for July 31 and is expected to raise *at least Es22bn, Reuter reports* from Lisbon.

The Government privatised 49 per cent of BTA, Portugal's fourth biggest bank in terms of assets, a year ago, raising Es28.5bn. It will retain a 20 per cent shareholding for the time being. The 7.75m shares to be *sold this month will be in five* categories, as has been the practice in other sell-offs of state controlled companies.

Bank staff can each buy up to 200 shares at Es2,700 each, but cannot sell for a year. Small investors and Portuguese emigrants can buy at *Es2,800 under an allotment system*, but cannot sell for a year. The total for these two categories will be 1.55m shares.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. — *Closing prices on July 3*

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	99⅛	99⅝	+⅛	9.22
ALBERTA PROVINCE 9 3/8 95	600	101	101⅜	+⅛	9.11
AMERICAN GENERAL 9 3/4 95	100	98	99½	+½	10.28
AUSTRALIA 11 1/4 00	100	107⅞	108⅞	-½	9.96
AUSTRIA 8 1/2 00	400	95⅝	96	+⅛	9.19
BANK OF TOKYO 8 3/8 96	100	95⅝	96⅛	+⅛	9.38
BELGIUM 9 1/8 92	400	100⅛	100⅜		8.90
BFCE 7 3/4 97	150	93⅛	93½	+⅛	9.16
BNP 8 5/8 94	300	98⅜	98⅞	+⅛	9.11
BP CAPITAL 9 5/8 93	150	100⅞	101⅛		9.23
CANADA 9 96	1000	100⅝	100⅞	+⅛	8.83
CCCE 9 1/4 95	300	100⅞	101⅛		8.99
COUNCIL EUROPE 8 96	100	94⅞	95⅜		9.13
DENMARK 0 98	250	48⅞	49⅛	+⅛	9.29
DENMARK 8 1/4 94	150	97⅛	97½	+⅛	9.11
ECSC 8 1/4 96	193	95⅛	96⅛		9.14
EEC 7 1/4 93	250	96⅛	96⅜		8.86
EIB 7 3/4 96	250	93⅞	94⅛		9.12
EIB 10 97	250	104⅛	104⅝		9.12
ELEC DE FRANCE 9 98	200	99⅝	100⅛		9.06
EUROFIMA 9 1/4 96	100	100⅝	101⅛		9.03
EXPORT DEV CORP 9 1/2 98	150	101⅝	102		9.20
FINLAND 7 7/8 97	200	92⅞	93⅛		9.38
FINNISH EXPORT 9 3/8 95	200	101⅛	101⅝	+⅛	9.05
FORD MOTOR CREDIT 9 1/2 93	300	101	101⅜	+⅛	9.10
GAZ DE FRANCE 12 1/4 93	175	103½	104⅛		10.72
GEN ELEC CAPITAL 9 3/8 96	300	101⅛	101⅜		9.09
GMAC 9 1/8 96	200	99⅝	100⅛	+⅛	9.19
HALIFAX 9 1/2 93	200	100⅞	101⅛	+⅛	9.20
IBM WORLD TRADE 7 5/8 93	150	95½	96⅛		9.21
IND BK JAPAN FIN 7 7/8 97	200	93⅛	93⅝	+⅛	9.25
INTER AMER DEV 7 5/8 96	200	92⅞	93⅛	+⅛	9.20
ITALY 8 1/2 94	1500	98⅛	98⅝		9.02
JAPAN DEV BK 8 94	150	96⅞	97⅜		8.98
KANSAI ELEC PWR 10 96	350	102⅞	103⅛	+⅛	9.34
LTCB 8 5/8 93	150	99	99½	+⅛	9.03
NEW ZEALAND 8 93	100	97⅛	97⅜		9.15
NIPPON CRED BK 9 3/4 93	150	101⅛	101⅝	-⅛	9.30
NIPPON TEL & TEL 9 3/8 95	200	101	101⅝		9.08
NISSAN ACCEPT CORP 9 1/4 91	150	99⅞	100½	-⅛	9.45
OLYMPIA & YORK 8 1/4 96	435	90⅛	92	+⅛	10.52
ONTARIO HYDRO 11 5/8 94	200	106½	107⅛	-⅛	9.37
OSTER KONTROLLBANK 8 1/8 93	200	98⅛	98⅝		8.90
PRUDENTIAL RLTY SECS 0 99	365,216	46⅛	47	+⅛	9.39
QUEBEC HYDRO 9 3/4 98	150	101⅞	102⅛	+⅛	9.42
QUEBEC PROV 9 98	200	97⅞	98⅛		9.41
SAINSBURY 9 1/8 96	150	99	99½	+⅛	9.33
SAS 10 99	200	101½	102⅛	+⅛	9.72
STATE BK STH AUST 9 1/4 93	100	100	100⅛		9.21
SUMITOMO TST 7 3/4 91	100	98⅞	98⅞		9.11
SWEDEN 8 1/8 94	150	96⅞	97⅛	+⅛	9.13
SWEDISH EXPORT 9 5/8 93	100	101⅝	102		8.87
TOKYO METROPOLIS 8 1/4 96	200	95⅝	96	+⅛	9.17
WORLD BANK 8 3/8 99	1500	96⅞	97		9.07
WORLD BANK 8 3/4 97	1500	99⅛	99½		9.07
XEROX CORPN 8 3/8 96	100	93⅞	94½		9.83

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	96⅛	96½		9.10
AUSTRIA 6 98	400	83⅞	84	+⅛	8.99
CNT 6 1/8 98	200	83½	83⅞		9.03
CREDIT FONCIER 6 3/4 99	500	86⅝	86⅞	+⅛	9.02
DEUTSCHE BK FIN 5 5/8 96	750	85½	85⅝	+⅛	8.88
EEC 5 3/8 93	300	91½	91⅝	-⅛	9.31
EIB 6 1/8 96	300	87	87⅛	+⅛	9.02
EIB 6 7/8 95	300	90⅝	90⅞	-½	9.14
ELEC DE FRANCE 6 1/8 98	300	83⅛	83⅞	+⅛	9.08
EUROFIMA 6 1/4 98	400	83	83⅛	+⅛	9.35
FERRO DEL STAT 5 3/8 93	500	91⅞	92	-⅛	9.08
IND BK JAPAN FIN 5 5/8 96	200	84½	84⅞		9.21
INTER AMER DEV 7 1/4 99	300	90	90⅛	+⅛	8.91
LUFTHANSA INT FIN 5 7/8 98	500	83	83	+⅛	8.99
[illegible]					
WORLD BANK 7 1/4 92	100	101	101⅛	+½	6.70

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	92⅛	92⅞	+⅛	7.17
CANADA 4 3/8 92	80000	95⅛	95⅛	+⅛	7.10
CREDIT FONCIER 5 1/4 94	20000	92⅞	93⅛	+⅛	7.23
DENMARK 7 95	40000	99⅝	99⅞	+⅛	7.08
EIB 4 5/8 94	40000	92	92⅛	+⅛	7.07
FNMA 6 7/8 92	50000	99⅝	99⅞		7.26
GENERAL ELECTRIC 5 3/4 93	35000	96⅛	96⅜		7.34
ITALY 5 3/4 92	150000	97⅞	98⅛	+⅛	7.15
KANSAI ELEC PWR 4 5/8 94	60000	91⅛	91⅜	+⅛	7.36
NIPPON TEL & TEL 5 7/8 96	50000	94⅛	94½		7.04
NORWAY 5 1/8 95	50000	92½	92⅞	+⅛	7.03
SWEDEN 5 5/8 95	20000	93⅝	94⅛		7.12
WORLD BANK 6 3/4 00	50000	98½	98⅞	+⅛	6.96

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	92	93		9.69
KREDIETCORP 7 93 LFr	1000	93	94		9.71
WORLD BANK 8 96 LFr	1000	93	94		9.62
AMRO BANK 6 1/4 92 Fl	150	94	94½		9.50
DENMARK 8 1/2 91 Fl	100	99	99⅞		9.70
HEINEKEN 7 5/8 94 Fl	150	94⅛	95½		9.26
PHILIPS GLOEILAMPEN 5 3/4 92 Fl	150	94	94⅞		9.71
RABOBANK 5 3/4 93 Fl	150	91⅛	92½		9.37
WORLD BANK 6 1/4 91 Fl	100	97⅛	98⅛		10.23
ALBERTA PROVINCE 10 92 C$	500	95⅞	96		12.48
BCE INC 9 5/8 93 C$	300	92⅞	93⅛	-⅛	12.75
BELL CANADA 10 5/8 99 C$	150	93⅛	93⅞		11.88
BRITISH COLUMBIA 12 1/4 91 C$	100	98⅛	99	-1½	13.54
EIB 10 1/8 98 C$	130	91⅛	91⅜	-⅛	11.90
FORD CREDIT CANADA 10 94 C$	100	92⅝	93⅛	+⅛	12.38
GENERAL ELECT CAP 10 1/4 93 C$	175	94⅛	94⅝		12.52
MONTREAL TRUSTCO 8 1/2 92 C$	100	92⅞	93½	-⅛	13.14
ONTARIO HYDRO 10 7/8 99 C$	500	95⅛	95⅜		11.73
QUEBEC PROV 10 1/2 98 C$	200	92⅝	93⅛	+⅛	11.91
ROYAL TRUSTCO 10 1/4 93 C$	100	94	94½	+⅛	12.83
SWEDEN 9 3/4 93 C$	250	94⅛	94⅞		12.18
AUSTRIA 7 3/8 93 Ecu	125	93⅞	94⅛		10.24
CNT 7 3/8 93 Ecu	250	92⅞	93⅛	+½	10.32
CREDIT LYONNAIS 9 96 Ecu	125	95⅝	96⅛	+½	10.01
DENMARK 7 5/8 96 Ecu	250	89	89⅛	+⅛	10.21
EEC 7 5/8 94 Ecu	200	92½	93	+½	10.16
EIB 10 97 Ecu	500	99⅝	100	+⅞	10.03
ITALY 10 3/4 00 Ecu	1000	103⅛	103⅞	+⅞	10.12
SWEDEN 7 1/2 93 Ecu	250	93½	93⅞	+⅛	9.88
BMW FINANCE 14 1/2 92 A$	100	100⅛	100⅞		14.23
COUNCIL EUROPE 13 93 A$	50	98⅞	99⅛		13.44
EKSPORTFINANS 12 3/8 95 A$	75	93⅛	94⅛	-⅛	14.21
FORD CRED AUST 13 93 A$	50	96½	97	-⅛	14.58
HEINZ 12 3/4 91 A$	100	97½	98		15.66
ICI 15 1/2 92 A$	100	101½	102		14.49
NAT AUSTRALIA BANK 14 3/4 94 A$	150	100⅛	100⅞	-⅛	14.52
STATE BK NSW 14 1/4 99 A$	100	100⅛	100½	-⅛	14.19
VOLKSWAGEN INTL 15 94 A$	100	102½	103	-⅛	14.05
BARCLAYS JERSEY 9 1/2 93 £	250	91⅛	91½	-⅛	13.51
EIB 10 97 £	300	88⅛	88⅞	-⅛	12.74
FORD CREDIT FUNDING 9 5/8 93 £	50	90⅝	91⅛	-⅛	13.87
INTER AMER DEV 11 3/8 95 £	75	95⅛	95⅜	-⅛	12.72
ITALY 10 1/2 14 £	400	86⅛	87⅛	-⅞	12.22
LAND SECS 9 1/2 07 £	200	74½	74⅞	-⅛	13.44
LEEDS PERMANENT 9 1/4 93 £	50	90⅛	90⅞		13.45
NORWAY 10 1/2 94 £	200	93	93⅛	-⅛	12.99
ROLLS-ROYCE 9 5/8 93 £	150	90⅛	90⅞	-⅛	13.82
SAINSBURY 10 7/8 93 £	100	93⅛	94⅛		13.90
WORLD BANK 11 1/4 95 £	100	95⅛	95⅝		12.63
ABBEY NATIONAL 0 96 NZ$	100	42⅞	43⅛	+½	14.56
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	98⅛	99⅛		13.57
AIDC 7 7/8 93 FFr	600	93½	94	+⅛	10.26
DENMARK 8 1/8 91 FFr	1000	97⅛	97⅛	+⅛	10.10
EURATOM 7 5/8 98 FFr	500	86⅛	86⅝	+⅛	10.25

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ABBEY NATIONAL 1/16 00 £	150	99.96	100.03	15.3125
ALBERTA PROVINCE 1/32 93	500	99.89	99.99	8.4063
ALLIANCE & LEICS 0 08 94 £	300	99.89	99.94	15.3500
BANCO DI NAPOLI INT 91	150	99.96	100.06	8.8750
BANCO ROMA 0 03 01	200	95.91	96.14	8.4675
BELGIUM 1/16 97 DM	500	100.04	100.15	8.9375
BFCE -0 02 96	350	99.82	99.92	8.4175
BNP 05	300	98.74	98.86	8.3750
BRITANNIA 1/10 96 £	150	99.91	99.96	15.3500
CITICORP 1/4 98	500	96.30	96.80	8.5625
CITIZENS FED 0.15 96	100	99.01	99.76	8.7125
COMMERZBK O/S FIN 93	200	99.59	99.69	8.3125
DENMARK -1/8 96	1000	99.12	99.22	8.1875
FERRO DEL STAT 94	200	100.27	100.38	8.4375
[illegible]				

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]					
GOODYEAR TIRE 6 7/8 03	150	80¼	74½	75½	
GRACE (WR) 6 1/4 02	150	42½	86⅛	86⅞	+21.95
GRAND MET 6 1/4 02 £	100	6.58	103⅞	104⅞	+4.83
HAWLEY 6 02 PREF	400	1.91	111	112⅛	+8.94
HILLSDOWN 4 1/2 02 £	150	4.16	98⅞	99⅞	+49.12
INTL PAPER 5 3/4 02	200	68½	88⅝	89½	+18.45
LAND SECS 6 3/4 02 £	84	6.72	83½	84⅞	+7.91
METAL BOX 5 3/4 02 £	65	1.93	106⅞	108⅛	-3.16
MITSUBISHI BK 1 3/4 02	300	2727.1	86⅛	88½	+1.90
OGDEN 6 02	85	39.077	86⅞	87⅞	+21.61
PACIFIC DUNLOP 6 3/4 97	75	3.749	107	108	+1.15
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	76⅞	77⅛	+61.29
THORN EMI 5 3/4 04 £	103	7.45	107	108	+2.20

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month $above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by Association of International Bond Dealers.

London SE set to clear BZW and Goodman

By Richard Waters

TWO of the London market's leading houses — Goldman *Sachs and Barclays de Zoete* Wedd — are expected to be cleared of allegations of market manipulation today after an International Stock Exchange investigation into erratic share price movements.

It followed a sharp rise in the FT-SE 100 index just as it was being calculated for futures and options contracts based on it.

The rise was due largely to an aggressive bidding up of prices by Goldman, which saw bid prices in many stocks rise above prices at which other firms were offering them for sale — an overturning of natural market conditions.

Other houses complained they were unable to deal at prices posted by Goldman, prompting suggestions that the firm was moving its prices to affect FT-SE calculation.

An investigation has found that a large amount of business was carried out by Goldman and BZW during the disputed period. This suggested prices quoted by each house were genuine, and not set to alter the FT-SE and affect their futures and options trading positions.

Any failure by the houses to answer telephones was therefore due to a lack of people to handle demand, rather than a deliberate decision, the exchange concluded.

As a result, the FT-SE will not be recalculated for the purposes of derivatives business. The exchange is expected to consider changes to the way the index is calculated to reduce the volatility at such crucial times in future.

Regulator's US options deadline

By Deborah Hargreaves

US OPTIONS exchanges have until late September to come up with an electronic link *before the regulator opens up* the business to increased competition.

The Securities and Exchange Commission has asked the options exchanges to refrain from listing competitive quotes on equity options that *are already traded on one* market until a link can be implemented.

A little more competition was injected into the options market at the beginning of the year when the SEC abolished the lottery system that allo*cated new listings of options* to just one exchange. After an initial outcry from the five US options exchanges, the SEC *delayed full competition on* existing options until the exchanges could link their market places.

Since then, two plans for linkage have been submitted to the commission which will consider them on September 21. However, the SEC says it would prefer the industry to decide before that.

This is likely to put pressure on the Philadephia Stock Exchange to join the four other options exchanges in their joint plan. The four exchanges are advocating a system called Public Investors Privileged Express (Pipe) which would route options orders electronically to the exchange offering the best price.

The PHLX is holding out for a system that would include a time priority in its routing whereby orders would go to the marketmaker which posted the best price first.

NZ exchanges in merger talks

THE New Zealand Futures and Options Exchange (NZFOE) and the New Zealand Stock Exchange (NZSE) have been holding merger talks, Reuter reports from Wellington.

A working party of members from both exchanges has been exploring closer relations and is expected to make a recommendation in several months.

New Zealand's securities industry was forced to rationalise after the 1987 crash.

Gambro plans share issue

GAMBRO, the Swedish medical equipment group, plans to issue 4m new B free shares on international markets to finance its $253m acquisition of Cobe Laboratories, the US medical group, writes Robert Taylor in Stockholm. The new shares have a current stock market capitalisation of SKr608m. At present Gambro's share capital is SKr438m made up of 7m A restricted shares, 12.1m B restricted shares and 8m B free shares.

INTERNATIONAL CAPITAL MARKETS

UK groups save costs with equity-linked deals

By Tracy Corrigan

TWO UK companies brought equity-linked offerings yesterday which allowed them to achieve substantial cost savings, while enhancing their balance sheets.

Lonrho, the UK conglomerate, launched an issue of dollar-denominated bonds with equity warrants attached, the first time a UK company has used such a structure since the stock market crash of October 1987, according to lead manager Nomura International.

Blue Circle, the UK cement and home products group, brought a £90m issue of convertible capital bonds which will fund its acquisition of 50 per cent of Aalborg Porland, the Danish cement manufacturer. Baring Brothers launched the issue.

The Lonrho issue is expected to total about $160m, with warrants exercisable into 31.1m shares at a premium of about 15 per cent. Terms of the issue will be fixed on or before July 10. The exercise premium is indicated at 15 per cent. Dealers said there was a lack of benchmark issues with which to compare the pricing, but it appeared fair.

Lonrho will keep the funds in dollars, to finance its dollar liabilities. The company, which also has dollar assets, is expected to achieve an all-in cost of funds just over 7 per cent, substantially lower than could have been achieved even in the sterling equity-linked market. When the warrants are exercised, the company's debt-equity ratio will also be enhanced.

The dollar-denominated issue was broadly distributed, with as much as 70 per cent of the paper placed outside the UK. European corporates were said to be buying the ex-warrant paper for asset-swapping. However, UK institutions would have taken a greater proportion of a sterling issue, dealers said.

The issue was bid at 99¼, from an issue price of par, well within full fees of 2¼ points.

Nomura said that the departure from the usual London listing, in favour of a Luxembourg listing, allowed the use of a one-warrant-per-bond formula, instead of one-warrant-per-share, which should enhance the liquidity of the issue.

Meanwhile, Blue Circle followed in the path of other UK companies such as British Airways and Sainsbury, when it issued convertible capital bonds. The £90m issue of 10½ per cent convertible bonds was launched by Baring Brothers. The bonds are convertible into ordinary shares of Blue Circle at 270 pence per share, a premium of 9.76 per cent above the mid-price at 12.30 yesterday of 246 pence. There is no put option for investors.

The issue represents attractive funding which covers most of Blue Circle's £92.8m acquisition. Its existing long-dated debt, a £150m issue of 10¾ per cent bonds due 2013, is currently yielding about 12.7 per cent, while the new Blue Circle issue yields around 10½ per cent.

Unlike ordinary convertible bonds, which count as debt until the conversion takes place, capital bonds are immediately classed as equity and so can be listed under capital on the balance sheet. For investors, the bonds rank behind debt but in front of equity, but most investors are likely to convert the bonds into equity, so this is not an important factor.

This issue too met broad demand from continental as well as UK investors. The issue was bid at its issue price of par, although it had traded higher earlier in the day, before the size of the offering was increased to £90m from an initial £70m.

INTERNATIONAL BONDS

In the fixed-rate dollar sector, Toyota Motor Credit Corp brought a $250m issue of unswapped Eurobonds. UBS Phillips & Drew was the lead manager of the 9 per cent three-year Eurobonds, launched at a yield spread of 38 basis points above the three-year US Treasury.

The bonds' triple-A rating ensured solid demand from continental retail investors in particular, helped by heavy recent redemption of corporate bonds in the sector. The deal outperformed Ford Motor Credit's three-year issue launched on Friday at a spread of 50 basis points above the comparable US Treasury.

In the Lira market, the European Investment Bank brought a L250bn issue of callable bonds due 2000, via Istituto Bancario San Paolo.

● THE Chicago Mercantile Exchange suffered a 27.3 per cent decline in overall volume last month. June overall volume was 7.78m contracts traded compared with 10.71m a year ago.

The CME said volume records were set in June 1989, helped by an additional business day.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Tomen Finance♦	58.5	Zero	55.414	1997	1⅞/1¼	Nikko Secs.(Europe)
Toyota Motor Credit Corp♦(a)	250	9	101½	1993	1⅜	UBS Phillips & Drew
Lonrho Finance♦ǂ	160	(6⅝-6⅞)	100	1994	2¼/1½	Nomura Int.
AUSTRALIAN DOLLARS						
Dresdner Int.Fin.Dublin♦	75	14½	101½	1994	1⅜/1⅛	Dresdner Bank AG
SWISS FRANCS						
SE Banken♦	100	7⅛	102	2000	2⅜	Credit Suisse
STERLING						
Blue Circle Ind.Capital§(b)	90	10½	100	2005	2½/1½	Baring Brothers & Co
LIRE						
European Investment Bank‡♦	250bn	(c)	100	2000	70bp	Ist.Ban.San.Pau.Torino

♦Final terms. ‡Floating rate note. ǂWith equity warrants. §Convertible. a)Deal sold on fixed price re-offer at 100.325. b)Giving a short first coupon to Dec 21, 1990. Bonds pay a semi-annual coupon. c)11⅛ for period to 6.2.91 for remaining Libid flat.

Third World increasingly hedges its bets

Stephen Fidler on growing use of risk management among less developed countries

The use of derivative markets – futures, options and swaps – to manage financial risks in developing countries is growing.

About 28 per cent of the funds raised last year in the international capital markets by 16 developing countries, as diverse as Nauru and Turkey, incorporated some form of risk management, according to a survey of published information by the World Bank. This compares with 10 per cent a year earlier. This is equivalent to some $3.75bn last year and $1.82bn the year before.

For example, a $100m loan which Algeria arranged last year through Chase Investment Bank carried an interest rate linked to the price of oil. If oil prices rose, Algeria would pay a higher interest rate from its increased revenues. Banks would also be compensated with an increased interest margin if oil prices fell. That increment would not increase Algeria's interest bill, however, because of the use of options technology. Despite the attractiveness of the idea, the credit was not particularly well received when syndicated among international banks. Whether this was due to credit worries about Algeria or suspicion of the innovation is not clear.

These figures significantly underestimate the hedging activities by all developing countries. Probably the most technically advanced and most active is Chile. Chile has led the way both in techniques to reduce its heavy foreign debt burden, such as debt-equity swaps, and in methods of reducing its exposure to adverse movements in interest rates. It began slowly to use the futures markets about three years ago.

According to Mr Christian Salinas of the Central Bank of Chile, Chile regularly has $12bn of exposure on the Chicago Mercantile Exchange's Eurodollar futures contract. With more than $630bn of outstanding contracts in Eurodollar futures, that is a modest amount. But it hedges interest rates on one-quarter of the country's roughly $16bn in foreign debt.

According to Mr Salinas, of the Government's $16bn-$17bn of external debt, the central bank is concerned most with the 80 per cent – $13bn-$14bn – contracted at floating interest rates. However, some of this has a natural hedge – the $3bn-$4bn of Chilean reserves which are also invested at floating rates, leaving unhedged liabilities of about $9bn. Of this, just over $8bn is denominated in dollars.

The central bank has decided that about half of this should be left unhedged – allowing it to benefit from any falls in US dollar interest rates. For the remaining $4bn, "our main objective is to reduce the risk of interest rate fluctuations rather than to obtain the lowest possible interest rate in the market."

Chile faces a number of technical problems in hedging this risk. Agreements with bank creditors base the interest rates it pays on one-year London inter-bank offered rates rather than the three-month Libor to which the Chicago contract relates. Furthermore, the interest rates on the loans are overwhelmingly reset in the first half of the year; almost 70 per cent in the first quarter.

To hedge one-year Libor using the three-month contract, the central bank sells four times the number of contracts. To hedge $100m of debt, therefore, 400 of the $1m contracts must be sold. But it does not sell all 400 on one day, a tactic that would lead to a concentration of risk on a particular date. Instead, they are sold at regular intervals over the previous six months allowing a more stable average interest rate to be achieved and fixed in advance.

"We lock into rates that are comfortable to us and that we know we can afford without disputing any major economic goals. It's not the point to get a rate below market levels." Chile is comfortable at present with rates between 7½ and 9 per cent, but there is not much that it can do if interest rates go back up to 11 per cent to 12 per cent and stay there for a long time.

But the approach is not mechanical. The central bank retains the flexibility, Mr Salinas says, to take advantage of interest rate movements that are favourable – selling fewer contracts if it appears rates will move decidedly downwards – and stay out of the market if rate rises appear temporary.

Mr Francesco Garces, the director of the international division of the central bank, says the bank is now studying extending its use of the derivative markets into options and caps – depending on costs – and into broadening the currency spread of its overwhelmingly dollar-denominated debt burden. It is also examining the use of interest rate and currency swaps, allowing it to hedge financial risk out to five years, rather than only over the short-term as allowed by the futures markets.

But these instruments bring their own problems. Using caps usually requires the payment of significant premiums up front – difficult when a country is suffering debt service problems.

Swaps present special problems for highly-indebted countries, arising from the swap market's high sensitivity to credit risk.

This sensitivity is not evident in the futures or options markets based on established exchanges once a Government has established credit lines with the relevant brokerage houses – something that would be easier for Chile than for countries with a more erratic debt repayments record. Exposures are marked to market daily and margin payments adjusted accordingly. Limits on positions in futures markets can be lifted when there is an underlying position that needs to be hedged, as has happened in Chile's case.

The central bank deals through brokers anonymously. Dealers on the other side of the trade neither know with whom they are trading nor care very much because they know that the clearing house is guaranteeing settlement.

This is in contrast with the swaps market – traded by telephone or over-the-counter – where there is no daily marking to market of prices, no margins and no clearing house to comfort a counterparty. Work is being done in some quarters, including the World Bank, to develop a daily marking-to-market but it may prove expensive.

Ironically, the only credit problems so far to have come to light involving the use by developing countries of the swaps market have hurt the countries themselves, rather than the counterparty. Both Portugal and Hungary were counterparties to Drexel Burnham Lambert, the US securities firm that collapsed earlier this year, the former in a gold swap and the latter in an interest rate swap. According to Hungarian officials, its problem has been resolved.

However, expertise in the complex world of financial derivatives is not inbred. The experience the Chilean central bank has developed has come from two sources.

There were the World Bank, whose own treasury team pioneered the use of the swaps market and which is now making its expertise available to developing countries, and Codelco, the Chilean copper concern with long experience in the commodities futures market and also in interest rate futures. A lack of depth of expertise is also sometimes worrying: central bank experts are often poached by the higher-paying private sector.

The World Bank is now advising 15 countries on the use of derivative markets, and there are possibilities that its programme will be extended.

Other developing countries have long experience in commodities futures markets. A few – for example, the Ivory Coast which has an arrangement with Phillip Brothers, the US commodity brokers – are making use of a growing market in commodity swaps to hedge their exposure to commodity price swings.

As summarised by the International Monetary Fund in a study, *Managing Financial Risks in Indebted Developing Countries*, there are three main constraints on the use of derivatives for hedging financial risk: cost, creditworthiness and complexity.

The fund acknowledges a further problem: designing control mechanisms that limit the activities of risk managers to legitimate hedging operations. "Recent experience in some financial firms has shown that potentially large trading losses are possible if internal controls are inadequate."

EXTERNAL RISK MANAGEMENT IN DEVELOPING COUNTRIES ($bn)

	1988	1989
Currency options/swaps	1.230	2.190
Interest swaps	0.262	0.391
Interest caps	0.051	0.140
Commodity-linked facility	–	0.310
Other*	0.280	0.725
Total	1.823	3.756
Per cent of total raised in global markets	10	28

* Includes floating-rate CDs, FRNs and notes with put and call options

Source: World Bank review of published sources

Probably the most technically advanced and most active is Chile. Chile has led the way both in techniques to reduce its heavy foreign debt burden, such as debt-equity swaps, and in methods of reducing its exposure to adverse movements in interest rates. It began slowly to use the futures markets about three years ago

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Tue Jul 3 1990: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Jul 2: Index No.	Fri Jun 29: Index No.	Thu Jun 28: Index No.	Year ago (approx): Index No.
1 CAPITAL GOODS (195)	897.43	-0.3	12.92	5.13	9.44	19.75	899.78	900.08	896.27	959.54
2 Building Materials (26)	1141.48	-1.1	13.42	5.27	9.21	27.29	1154.15	1155.81	1148.08	1185.34
3 Contracting, Construction (36)	1457.54	-1.3	16.50	5.64	7.89	34.92	1477.32	1481.69	1474.22	1610.61
4 Electricals (10)	2515.45	-0.6	11.31	5.29	10.87	61.43	2531.44	2529.79	2547.32	2847.12
5 Electronics (26)	1852.66	+2.0	10.11	4.06	12.80	26.12	1817.05	1807.96	1792.03	2191.26
6 Engineering-Aerospace (8)	474.52	-0.2	13.66	4.96	8.72	9.54	475.69	476.96	477.50	0.00
7 Engineering-General (45)	496.90	-0.3	11.87	5.15	10.18	10.10	498.48	498.02	498.66	0.00
8 Metals and Metal Forming (6)	495.64	-1.0	23.50	6.78	5.17	16.45	500.85	498.21	496.90	513.04
9 Motors (14)	375.69	-0.3	14.79	6.13	7.87	9.81	376.90	380.11	377.95	325.69
10 Other Industrial Materials (24)	1611.53	-0.5	10.98	4.99	10.51	36.58	1619.67	1622.60	1614.70	1650.63
21 CONSUMER GROUP (179)	1319.07	-0.1	9.25	3.83	13.34	20.52	1320.45	1319.70	1311.11	1240.18
22 Brewers and Distillers (22)	1623.32	+0.2	9.39	3.59	12.80	23.38	1620.67	1623.19	1611.77	1357.85
25 Food Manufacturing (20)	1119.26	-0.1	10.24	4.28	12.09	19.91	1120.80	1125.73	1118.76	1109.02
26 Food Retailing (16)	2551.37	+0.3	9.08	3.23	14.09	33.61	2542.48	2543.54	2525.24	2355.16
27 Health and Household (15)	2597.01	-0.2	6.62	2.67	17.96	25.10	2600.94	2585.07	2543.81	2254.29
29 Leisure (32)	1515.34	-0.2	9.63	4.07	12.64	24.42	1518.68	1522.31	1512.65	1659.42
31 Packaging & Paper (12)	607.79	+0.1	10.91	5.65	11.29	12.94	607.23	608.60	607.99	570.14
32 Publishing & Printing (17)	3593.35	+1.0	10.29	5.14	12.14	81.93	3559.50	3542.56	3547.24	3534.03
34 Stores (34)	803.60	-1.3	11.04	4.66	11.66	15.80	813.78	812.71	816.15	818.27
35 Textiles (11)	511.55	+1.4	12.04	7.03	10.48	18.26	504.64	504.88	502.88	543.18
40 OTHER GROUPS (106)	1207.23	+0.1	10.79	4.91	11.16	17.19	1205.66	1206.69	1198.81	1116.46
41 Agencies (17)	1735.87	+1.2	5.73	2.20	21.13	15.27	1715.64	1712.36	1694.77	1372.79
42 Chemicals (23)	1287.12	-0.3	10.95	5.15	10.69	31.39	1291.06	1291.53	1284.51	1282.54
43 Conglomerates (15)	1669.67	-1.2	10.28	5.97	11.65	31.95	1690.22	1694.64	1690.01	1656.41
44 Transport (13)	2312.52	+0.1	10.62	4.46	11.96	47.77	2311.05	2326.27	2319.09	2460.98
46 Telephone Networks (2)	1267.06	+2.0	10.65	4.45	12.19	3.78	1241.96	1239.11	1228.80	1059.33
47 Water (10)	1956.75	-0.1	16.40	6.92	6.82	0.00	1958.83	1961.92	1959.23	0.00
48 Miscellaneous (26)	1823.17	-1.0	11.97	4.91	9.52	37.62	1841.31	1843.75	1821.00	1656.51
49 INDUSTRIAL GROUP (480)	1191.68	-0.1	10.62	4.48	11.49	19.89	1192.50	1192.62	1185.50	1152.70
51 Oil & Gas (20)	2297.91	+0.1	12.26	5.37	10.77	46.50	2296.01	2303.07	2281.06	2139.92
59 500 SHARE INDEX (500)	1284.96	......	10.84	4.60	11.39	22.08	1285.58	1286.22	1277.92	1236.04
61 FINANCIAL GROUP (108)	803.35	-0.3	–	5.70	–	21.09	805.62	809.35	803.23	733.49
62 Banks (9)	830.95	-0.3	19.72	6.49	6.64	25.62	833.18	838.00	839.27	721.37
65 Insurance (Life) (7)	1483.59	-1.4	–	4.95	–	36.94	1504.49	1519.19	1478.27	1073.42
66 Insurance (Composite) (6)	707.45	-0.3	–	5.85	–	19.43	709.78	713.11	702.66	577.61
67 Insurance (Brokers) (8)	1016.66	......	8.53	6.30	15.45	31.64	1016.15	1020.62	1014.87	962.22
68 Merchant Banks (7)	438.87	+0.2	–	4.62	–	10.76	437.86	437.86	438.73	331.49
69 Property (47)	1113.20	+0.5	7.92	4.23	16.17	19.54	1107.72	1106.38	1093.68	1311.57
70 Other Financial (24)	293.02	-0.7	10.49	6.67	12.39	7.47	294.99	296.94	298.25	360.95
71 Investment Trusts (67)	1222.50	-0.2	–	3.19	–	15.35	1225.16	1220.43	1218.98	1159.13
91 Overseas Traders (5)	1479.49	+1.6	9.52	6.18	12.55	44.49	1456.62	1442.60	1434.05	1330.33
99 ALL-SHARE INDEX (680)	1169.35	-0.1	–	4.72	–	21.57	1170.25	1171.28	1163.73	1113.40

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 2	Jun 29	Jun 28	Jun 27	Jun 26	Year ago
FT-SE 100 SHARE INDEX♦	2371.7	-0.3	2381.0	2366.1	2372.0	2374.6	2355.7	2373.5	2399.8	2174.4

FIXED INTEREST

	PRICE INDICES	Tue Jul 3	Day's change %	Mon Jul 2	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.73	+0.02	115.70	–	6.53
2	5-15 years	121.87	-0.55	122.55	–	6.91
3	Over 15 years	125.08	-0.97	126.31	–	6.15
4	Irredeemables	142.61	-0.89	143.90	–	7.35
5	All stocks	121.88	-0.40	122.37	–	6.79
	Index-Linked					
6	Up to 5 years	146.56	-0.02	146.59	–	1.49
7	Over 5 years	137.62	-0.19	137.87	–	2.03
8	All stocks	138.17	-0.17	138.41	–	1.99
9	Debentures & Loans	100.99	+0.26	100.72	–	6.11
10	Preference	74.74	-0.04	74.76	–	3.45

	AVERAGE GROSS REDEMPTION YIELDS		Tue Jul 3	Mon Jul 2	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	10.73	10.66	9.96
2		15 years	10.73	10.65	9.36
3		25 years	10.73	10.65	9.20
4	Medium Coupons	5 years	12.02	11.97	10.79
5		15 years	11.26	11.13	9.84
6		25 years	10.92	10.77	9.41
7	High Coupons	5 years	12.11	12.07	10.92
8		15 years	11.50	11.36	10.06
9		25 years	11.14	10.99	9.61
10	Irredeemables†		10.75	10.65	9.23
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	5.35	5.33	3.76
12	Inflation rate 5%	Over 5 yrs.	4.24	4.23	3.70
13	Inflation rate 10%	Up to 5 yrs.	4.27	4.25	2.99
14	Inflation rate 10%	Over 5 yrs.	4.06	4.05	3.53
15	Debs & Loans	5 years	13.93	13.96	12.05
16		15 years	12.79	12.83	11.70
17		25 years	12.47	12.50	11.35
18	Preference†		12.33	12.32	10.32

♦Opening index 2374.0; 9 am 2371.9; 10 am 2375.8; 11 am 2379.2; Noon 2375.8; 1 pm 2371.7; 2 pm 2371.8; 3 pm 2368.3; 4 pm 2369.1; 4.10 pm 2370.5; (a) 11.18am (b) 3.21pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	9	69	21
Corporations, Dominion and Foreign Bonds	0	5	18
Industrials	311	341	921
Financial and Properties	120	152	465
Oils	15	27	46
Plantations	0	2	8
Mines	28	31	106
Others	44	57	137
Totals	527	684	1,722

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
–	F.P.	–	131	110	ABI Leisure 10p	131		R4.7	3.3	4.8	8.6
50	F.P.	–	49	47	EFM Java Trust	49	+1	–	–	–	–
–	F.P.	–	26	18	Do. Warrants	26		–	–	–	–
–	F.P.	–	46	28	First Philipp. Inv. Tst.	32	+1	–	–	–	–
–	F.P.	–	22	10	Do. Warrants	12	+2	–	–	–	–
–	F.P.	–	14	6	Fisher (Albert) Wrnts.	7	-1	–	–	–	–
500	F.P.	–	100	95	French Property Tst	99		–	–	–	–
–	F.P.	–	39	32	Do. Warrants	38		–	–	–	–
§81	F.P.	–	88	83	Intrum Justitia 10p	83		n1.75	2.5	2.8	13.7
100	F.P.	–	98	95	Jupiter Euro Inv. Tst.	98		–	–	–	–
–	F.P.	–	38	35	Do. Warrants	38		–	–	–	–
§108	F.P.	–	116	114	‡Levercrest 5p	114	-2	R4.05	2.4	4.7	9.2
–	F.P.	–	44	35	Lucas Inds. Warrnts	40		–	–	–	–
§77	F.P.	–	85	77	M & W 10p	84		R2.2	2.9	3.5	9.4
–	F.P.	–	31	21	Paribas French B Wrnts	28	+2	–	–	–	–
120	F.P.	–	130	100	Pittencrief 10p	125	-4	L2.3	1.8	2.5	16.0
§94	F.P.	–	96	84	‡Proteus Intl.	94	-2	–	–	–	–
§100	F.P.	–	102	95	Siam Select. Growth Tst.	102		–	–	–	–
–	F.P.	–	38	30	Do. Warrants	37	-1	–	–	–	–
–	F.P.	–	41	35	Southend Prop Wrnts	40	+5	–	–	–	–
†	F.P.	–	215	200	Wiggins Teape Appleton	208	-1	u8.35	2.0	5.4	10.8

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
100p	Nil	–	2pm	1pm	BICC Cap Fin 10.75pc Cv Cap Bds 2020	1¼pm	
100	F.P.	–	101	90	‡Bluebird Toys 12pc Cv. Uns. Ln. 2005	95	+2
‡	F.P.	–	87p	83p	European Leisure 8.75p (Net) Cv Rd Pf	83p	
100p	F.P.	–	115p	96p	Hepworth Cap Fin. 11¼pc Cv. Bds 2005	114p	
100p	25p	–	46½p	26p	Reckitt & Colman 9.5pc Cv Bds 2005	46p	
100p	F.P.	–	105p	96p	Wyndham Group 9.375pc Cm.Pf	96p	
–	F.P.	–	55p	35p	York Trust 8.5p (Net) Rd.Cv.Pf 20p	48p	+3

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
390	Nil	–	117pm	113pm	Attwoods	117pm	
10	Nil	–	¼pm	¼pm	*Caldwell Invs. 10p	¼pm	
335	Nil	–	73pm	37pm	Cater Allen Hldgs. £1	37pm	-8
105	Nil	–	70pm	26pm	‡EW Fact 5p	68pm	
50	Nil	–	5pm	3pm	‡Expedier Leisure	3pm	
37	Nil	–	4pm	2pm	‡Northumbrian Fine Foods	2pm	
220	Nil	–	31pm	12pm	Ratners	16pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market. B Units comprising 11 new ord. & 2 warrants. ‡ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings July 2
- Last Dealings July 13
- Last Declarations Oct. 4
- For settlement Oct. 15

For rate indications see end of London Share Service

Calls in Berisford Intl., Burton, Next, Ivernia West and Monument Oil & Gas. Puts in Mecca Leisure and Speyhawk.

LONDON TRADED OPTIONS

LONDON'S derivative markets were thinly traded yesterday as the stock market spent most of the session trapped in a tight range waiting for fresh direction.

The September FT-SE 100 futures index exerted little influence over the equity market despite a narrowing in its lead over the cash FT-SE index. The futures market advanced during the morning as sterling strengthened on renewed hopes about its entry into the exchange rate mechanism of the European Monetary System. However, the gains were given up when gilt futures began to ease later in the day.

September closed at 2,434, down 7 points on the day, having traded 3,427 contracts. The premium over the cash index closed at 64 points, compared with 70 in the previous session. According to Barclays de Zoete Wedd's calculation of fair value, the premium should stand at 55 points.

Turnover in the traded options market rose from Monday's depressed levels. However, business still remained too low to keep brokers occupied or to cover overheads.

The number of options contracted traded stood at 26,903 compared with 13,241. Yesterday's total was made up of 16,850 calls and 10,053 puts.

The lack of volatility on the stock market did not encourage investors towards FT-SE index options. Only 3,481 of the US-style FT-SE options changed hands, barely more than Monday. On a normal day the FT-SE options would account for about 25 per cent of all business but yesterday it took just 13. The busiest series was the July 2,400 calls, which traded 913 contracts.

Among the stock options, volume was higher. British Telecom, the busiest option, traded a total of 2,124 lots, as the underlying stock was heavily dealt. BT shares closed 7 higher at 309p as 14m changed hands

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Alld Lyons (*504)	500	15	43	54	9	19	25
	550	3	18	31	50	51	53
	600	1	8	18	100	100	101
ASDA (*114)	110	7½	13	17	3	7	9½
	120	4	8	12	8	13	15
	130	2	–	–	17	–	–
Brit. Airways (*212)	200	14	24	30	2	6	9
	220	2½	11	19	10	16	17
	240	1	–	–	30	–	–
SmKl Beecham A (*545)	500	49	65	73	2	8	14
	550	11	34	51	14	25	31
	600	2	15	30	58	57	60
Boots (*293)	280	16	28	38	3½	8	12
	300	5	18	26	13	16	19
	330	1½	7	13	39	39	40
B.P. (*319)	300	21	31	41	1½	6	7½
	330	4	14½	22	13	18	21
	360	1½	6	–	42	42	–
British Steel (*142)	[illegible]						
Bass (*1096)	[illegible]						
C & Wire (*558)	[illegible]						
Courtaulds (*360)	[illegible]						
Com. Union (*510)	[illegible]						
GKN (*410)	[illegible]						
Grand Met (*658)	[illegible]						
I.C.I. (*1152)	[illegible]						
Kingfisher (*341)	[illegible]						
Ladbroke (*332)	[illegible]						
Land Secur (*522)	[illegible]						
M & S (*236)	[illegible]						
STC (*263)	[illegible]						
Sainsbury (*294)	[illegible]						
Shell Trans (*453)	[illegible]						
Storehouse (*122)	[illegible]						
Trafalgar (*305)	[illegible]						

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Utd. Biscuits (*358)	330	31	43	54	2	7	10
	360	9	24	36	9	17	20
	390	2½	11	20	33	35	36
Unilever (*709)	650	64¼	88	109	2	4½	9¼
	700	18¾	48¾	74¼	7¼	16¼	24
	750	2	–	–	43¼	–	–
Ultramar (*341)	330	17	33	47	5	13	16
	360	4	16	32	22	25	28
	390	1	8	–	52	52	–

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Brit. Aero (*529)	500	46	62	82	8	17	23
	550	16	35	53	30	40	47
	600	5	16	33	75	77	82
BAA (*433)	390	50	68	78	2	7	11
	420	26	45	58	9	15	19
	460	8½	25	37	29	31	37
BAT Inds (*644)	637	32	55	–	11	20	–
	650	–	–	65	–	–	35

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Abbey Nat. (*211)	200	20	25	31	5	8	10
	220	8	14	19	16	18	20
Amstrad (*71)	70	8	11	14½	5	6½	8
	80	3½	6	9	11	12½	13½
Barclays (*387)	357	40	52	–	6	9	–
	390	–	–	42	–	–	27
Blue Circle (*242)	240	17	25	38	10	16	18
	260	7	16	27	25	28	29
British Gas (*226)	220	11½	19	22	9	10	12
	240	3	9	12½	22	23	25
Dixons (*144)	140	12	18	23	8	11	13
	160	4½	9	15	22	24	26
Glaxo (*827)	800	67	83	112	18	32	34
	850	35	55	82	40	52	57
Hawker Sidd. (*631)	600	60	75	–	10	17	–
	650	30	43	65	33	40	42
Hillsdown (*279)	260	32	41	50	5	9	10
	280	18	28	38	12	15	18

UK COMPANY NEWS

Investments at £597m with existing companies performing strongly

3i drops as debt provisions double

By Charles Batchelor

BRITAIN's largest venture capital group, 3i, experienced a sharp fall in its total after-tax returns in 1989-90 and was forced to double its provisions *for bad debts* as a result of what it called "the first serious test of the enterprise economy."

In spite of these setbacks Mr David Marlowe, chief executive, said he was confident about the state of the UK economy while 3i's expansion in continental Europe and Japan had given the company a significant presence overseas.

The profit performance of the companies in 3i's portfolio was strong and the quality of *management much improved.*

Investments by 3i rose from £568m to a record level of £597m in the year ended March 31. In addition, although 3i funds most investments from cash flow, it had raised £1.1bn of three and seven-year loan finance to fund future growth.

The company doubled its net provisions to £80m but said this increase was more than offset by the rise in capital profits on *the realisation of* investments from £142m in 1988-89 to £212m last year.

The total return after tax fell from £232m to £41m – the lowest figure for at least five years. *This* figure comprised changes in the value of its portfolio and revenue and capital profits.

The main reason for the fall was the decline in stock market prices – of about 13 per cent in the year – and the corresponding downward valuation of 3i's unquoted investments which account for 75 per cent of its portfolio.

This drop in the total return *depressed 3i's five-year com*pound growth rate of net assets per share, which the company regards as the most important measure of its long-term performance, to a *three-year low of 21.1 per cent* against 22.7 per cent in 1988-89.

Pre-tax profits were little changed at £156.9m, compared with £156.6m the year before.

3i invested in 1,026 companies in 1989-90, compared with 880 the year before. It spent £145m on 116 management buy-outs (£181m in 108 buy-outs the year before) reflecting the decline in the numbers of very large, highly-leveraged *buy-outs. It invested £88m on* 302 start-ups; £97m on 64 management buy-ins; and £229m in 544 growth capital deals.

See Lex

NEWS IN BRIEF

AMBER DAY: the rights issue in connection with the acquisition of What Everyone Wants *Group closed* on June 29. Acceptances were received in respect of 24.81m new ordinary shares (84.8 per cent).

ASHLEY GROUP has received acceptances totalling 29.79m shares (94.1 per cent) of the recent rights issue.

ASSOCIATED NURSING Services is acquiring Mobility Plus, of Harrogate, and PowerTech (UK), of Arundel, for £170,000 and £60,000 respectively.

BCE: BCE Inc is selling a substantial portion of its holding of common shares in Encor, of Calgary. It will sell 14.85m units, comprising three common shares and two warrants, at an aggregate price of $7 per unit, reducing holding to 19.6 per cent or less than 1 per cent if the warrants are fully exercised. BCE will still hold redeemable convertible preference shares, representing 33 per cent of the common capital when converted.

BRITISH AEROSPACE Enter*prises has established a new* subsidiary to purchase the defence products business of Nanoquest, which was previously a subsidiary of Bio-Rad Laboratories of Hercules, California, and formed part of the group acquired by Bio-Rad early in 1989 from Vickers.

CASPEN OIL is issuing up to 2.4m shares, 5.7 per cent of the enlarged share capital, and selling half its 70 per cent holding in Caspen Oil Inc to Churchill Technology Inc and Mr Anthony J Carroll, its president, in return for $500,000 and up to 5.13m shares in PRC Technologies Inc (14.3 per cent).

DOMINO PRINTING Sciences has purchased a majority stake in SA Alain Young, which distributes Domino's ink jet printers in France, and the whole of SCI du Bel Air, which owns premises leased to SA Alain Young, for FFr20m (£2.03m) cash.

EW FACT has agreed with Further Education Group to acquire the goodwill and name of Davies's, the international A Level College founded in 1927. The joint venture partners will operate a tuition college under the name of Davies's College. Both parties will provide a £50,000 interest free unsecured loan to DCL.

FISONS has agreed with Fujisawa Pharmaceutical to acquire for Y3bn an additional 15 per cent shareholding in their joint venture pharmaceutical company in Japan. *Fisons* will own 65 per cent.

HOWDEN GROUP's Australian subsidiary has acquired A S *Wheeler Pty of Sydney*, a manufacturer of light fans, blowers and silencers. The purchase price was A$1.39m (£628,000) cash.

JOHNSON MATTHEY: Prudential Assurance, Charter Consolidated and Pearl Assurance have exercised share warrants to purchase 3.97m, 1m and 30 ordinary shares respectively at 120p each. Consequently, Charter's interest amounts to 38.05 per cent, *Prudential*, together with funds managed by it on behalf of clients, to 8.04 per cent. Cookson Group continues to hold 7.69 per cent and Schoder Investment Management 4.69 per cent.

KALAMAZOO has agreed to sell a surplus playing field situated next to the company's head office in Northfield, Birmingham to Westbury Homes for residential development. The cash consideration of about £1.7m (8.7 per cent of net assets) *will be used to reduce* group borrowings.

LAPORTE says acceptances of the recent rights offer total 33.45m shares (96.5 per cent).

LEICA , the group formed by the merger earlier this year of Cambridge Instruments with Wild Leitz of Switzerland, has sold its industrial metrology technology division to Brown & Sharpe Manufacturing of the US.

LILLEY is paying a maximum £1.53m in shares and loan notes for Piper Commerce and Piper Buildings Hire, and *£130,000 in shares for the com*pany which owns Piper group's property. In the year ended March 31 1990 Piper's turnover was £2.4m and pre-tax profit £161,000.

LONRHO is acquiring a joint 50 per cent holding in SKIP, a French registered company owned by Sucden Kerry, for some £16.5m. Activities of SKIP include crude oil contracts, retail distribution, storage, and tanker chartering.

MINERALS OIL and Resources: For nine months ended May 3 1990 gross revenue *$351,510 ($438,816)* and pretax balance $253,110 ($288,554). Earnings per share 41 (42) cents.

P-E INTERNATIONAL has purchased SJ Noel-Brown, a management consultancy specialising in the healthcare and public sectors,for an initial £1.5m in cash and shares, plus a deferred profit-related maximum £600,000 in loan stock.

PRINCIPAL HOTELS Group has disposed of its Hotel Ligure, Frejus, France for £2m at a profit of *approximately* £650,000. It has also proposed the sale of Douglas Le Mare stockbroking subsidiary to its management for £1.3m, including cash of £1m.

RELIANCE SECURITY has bought Dominion Security Systems for £313,453 cash. In 1989 it incurred pre-tax losses of £767,000.

TIME PRODUCTS annual meeting told UK sales in the first four months of the year were ahead of last year. Trading conditions in Hong Kong remained difficult with pres*sure on margins of watch* movement business. Cash and short-term balances have stayed above the £27m year end figure and interest would be a significant contributor to profits.

WICKES announced the sale of Parker Kislingbury, a division of its Hunter Timber subsidiary, to a company formed by management for £4.5m representing net asset value as at June 30. Consideration settled by £2.25m in cash and issue of variable coupon redeemable preference shares.

XTRA-VISION: *rights issue* accepted in respect of 24.66m shares (94.45 per cent).

Sears urges caution over prospects of early upturn

By Maggie Urry

SEARS, the footwear and clothing retailer, warned yesterday that trading had been weaker since early May.

On May 10 the group *announced annual results* and said then that first quarter trading had been encouraging.

But Mr Geoffrey Maitland Smith, chairman, *told* shareholders at yesterday's annual meeting that since then "trading has been weaker across several sectors of the group whilst cost pressures have continued to increase. Therefore, I must continue to urge caution regarding any expectation of an early upturn."

Sears shares fell 3p to 93p yesterday.

The news follows last week's warning from Burton Group, the fashion and department *store retailer, that* sales had weakened considerably in recent weeks. Burton shares fell another 10p yesterday to close at *107p, down from 164p* on the morning of the trading warning.

Reed Executive declines by 43% to £5.1m

By Nikki Tait

Reed Executive, the employment agency, yesterday unveiled a 43 per cent *slump to £5.1m in pre-tax profits for* the year to end-March. In the previous year it made just over £9m.

Turnover remained relatively buoyant overall, rising from £119.6m to £139m.

However, Reed said that there was a sharp disparity between the first six months, when it saw a 21 per cent increase, and the second half, up 12 per cent. Pre-tax profits, too, had fallen by a more modest 35 per cent at the interim stage.

Part of the damage, Reed *suggested, resulted from* its exposure to the south east: "We are mainly operating in the south east, and commentators have suggested that unusually the south east has been particularly hard hit in this downturn," said a statement from Mr Alec Reed, chairman and chief executive.

Looking ahead, Mr Reed conceded that the "difficulty in permanent recruitment and temporary services continues". He held out some possibility of an improvement towards the turn of the year, but said that *this was simply based on* current economic forecasts.

Net interest earned added about £70,000 to the pre-tax total, according to Mr Reed, down from £407,000 in the previous 12 months.

Earnings per share fell by 49 per cent to 5.6p per share, after a 43.5 per cent (37 per cent) tax charge.

The final dividend is now being cut, from 1.4p in the previous year *to 0.6p. This makes* a total of 1.2p for the 12 months, compared with 2p last time.

The company ended the year with an overdraft of £3.4m, but said that certain money had since flowed in – particularly from local authority clients – giving the company a net cash balance at present.

Hardanger shopping centre acquisition

Hardanger Properties has agreed to acquire 60 per cent of the Nicholsons Walk Shopping Centre in Maidenhead for £22.8m cash. The deal involves the acquisition and concurrent disposal of Nicholsons and a leaseback of an interest in it to Hardanger.

Total rental income is antici*pated to be about £2.7m per* annum with Hardanger's share about £1.61m. Secured borrowings will finance the acquisition.

The company has also agreed to dispose of and then develop a retail site adjoining Nicholsons Walk for about £23m, to a subsidiary of a major financial institution.

CH Industrials dips 25% as car parts demand falls

By Jane Fuller

A SLUMP since Christmas in demand for car parts and lorry cabs hit profits at CH Industrials, adding to the difficulties already experienced on the household goods side.

The industrial holding group saw pre-tax profits fall by 25 per cent from £15.34m to £11.59m in the year to March 31 1990 on sales ahead to £215.6m (£191m).

Action taken to cut out loss-making businesses included selling furniture operations and closing three factories.

Mr Tim Hearley, chairman, said the total number of people employed by the group had dropped from 4,500 to 3,600 following the closures and disposals. About half the reduction represented redundancies.

The costs of these actions were included in extraordinary charges of £9.62m.

In the automotive and mass transport division, operating profit fell to £2.59m (£5.65m). Body and trim component businesses had suffered from sharp reductions in demand from car makers in the final quarter.

A strike at Ford had also *affected the sunroof opera*tion. Mr Hearley said sales volume fell initially by 20 per cent and had levelled off at 15 per cent down.

The one bright spot was the rail division, which had won a £54m contract for refurbishing London Underground trains.

In vehicle body engineering, where Motor Panels in the US was added to the Coventry operation, an operating profit of £5.47m (£1.62m) was made on sales of £51.3m (£19.46m). *Motor* Panels (Coventry) contributed for a full year instead of just over six months.

Tim Hearley: action taken to *cut loss-making businesses*

The UK business was hit by a 30 per cent fall in demand from commercial vehicle makers. This was partly offset by increased production of body panels for the new Land Rover Discovery.

Motor Panels Inc exceeded the profit estimated when the £7.5m purchase was made last August.

In office and household products, which saw much of the disposal and closure activity, profit fell to £2.87m (£7.35m) on sales of £73.17m (£86.17m).

Apart from the severe downturn in flooring accessories and a slack market for shop fittings, the office furniture business was hit by a serious fire at the Bristol factory early in the year.

Property, investments and associates contributed about £1.7m more than in the previous year.

Interest charges increased to £4.89m (£3.18m). Mr Hearley said gearing had reached 100 per cent. It had been envisaged that it would rise only to 70 per cent after the US acquisition, but the extraordinary costs and a reduction in net assets had pushed it higher.

It was hoped further disposals would raise about £20m.

Fully diluted earnings per share fell to 9.88p (16.52p).

A final dividend of 3.825p makes a total of 5.025p *(4.875p) for the year.*

● COMMENT

CH Industrials is operating in two depressed areas with little hope of much improvement this year: UK-based vehicle makers and accessories for the UK building industry. It has, however, taken considerable steps to staunch losses; and it will hope that this year does not see *another factory fire*, or prolonged strike at a big motor customer. A question mark hangs over its aim of *reducing* gearing to less than 50 per cent, particularly over how promptly it can make the necessary sales. Candidates include some of its investments and businesses on the consumer, rather than the engineering side. A forecast pre-tax profit of £13m, which sounds a bit optimistic, gives a prospective multiple of seven. There seems little room for improvement in such tough trading times and while gearing remains so high.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Assoc Brit Eng	fin	0.1	-	0.08	0.1	0.08
Baker Harris	fin	2.25	-	4	4.5	7
Birmingham Mint	fin	5	Oct 1	5	5.5	8
Bucknall Austin§	fin	3.5	Oct 1	2.8	4.8	3.9
CH Industrials	fin	3.825	Sept 26	3.825	5.025	4.875
Dickie (James)	int	1.0125	July 31	nil	-	nil
Farepak §	fin	4.05	Oct 1	1.575	5.95	1.575
GEC	fin	6.7	Oct 1	5.65	9.25	7.8
Grand Central	fin	0.65	Aug 30	0.65	1	1
Harris (Philip)	fin	3.75	Sept 3	3.5	5.75	5.5
Jurys Hotel	fin	3♣	Sept 1	2.9	5	4.5
Newman Tonks	int	3.8†	Aug 16	3.8	-	9.3
NMC	fin	2.3	Oct 2	2.3	3.55	3.3
Partridge Arts	int	2	Sept 9	-	-	0.75
Pepe §	fin	4†	Oct 1	4	6.5	6
Reed Exec	fin	0.6	Oct 8	1.4	1.2	2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Irish currency.

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UK COMPANY NEWS

Consumer spending fall reduces Pepe to £10.5m

By Alice Rawsthorn

IN SPITE of the revival of flared jeans Pepe Group, one of Europe's largest jeans and leisure wear companies, saw its pre-tax profits fall from £12.76m to £10.53m in the year to March 31.

Pepe suffered, like so many other clothing companies, from the unstable state of the UK market.

The UK clothing market, which is still the group's biggest single source of sales, has been hit by the impact of high interest rates on consumer spending.

Mr Sydney Neil, group finance director, said the UK jeans market had benefited from the new fashion for flares, but retailers had been cautious in placing orders.

Pepe was forced to increase stocks of its basic denim jeans and had to turn down orders for other types of clothing.

The group managed to offset the downturn in the UK by continued growth in other countries. Pepe lost money in Scandinavia, but made good progress in France and West Germany. Turnover outside the UK last year provided 66 per cent of overall sales of £136.37m (£97.46m).

Mr Neil said it was still incurring high costs in establishing its international operations. The interest charge rose to £2.98m (£846,000) chiefly because of its investment overseas.

Pepe held operating profits at £13.52m (£13.6m). Tax took £4.32m (£5.02m) at a rate up from 39 to 41 per cent – because of the higher proportion of overseas profits.

Earnings per share fell to 23.4p (31.9p). The directors propose to hold the final dividend at 4p making a total for the year of 6.5p (6p).

Mr Neil said international operations were expected to make "significant progress" this year, but the UK market was still "in the doldrums".

● COMMENT

Pepe had taken the precaution of preparing the stock market for its fall in profits so the shares – which have been sliding steadily for the last year or so – were stable at 155p yesterday. Pepe can scarcely be blamed for the problems of the UK clothing market. In the short term it has fared reasonably well at maintaining margins in its principal product of denim jeans. But in the long term it may face a tricky task – as a company which imports almost all its merchandise from the Far East – in adapting to the new retail regime of short-term ordering. In the meantime its international operations seem set for further growth and the City expects profits of £18.7m this year. But the shares can hardly hope for a recovery – from a prospective p/e of 5.5 – while the outlook for the UK is so uncertain.

Ricardo stake sold by First Technology

By Nikki Tait

FIRST Technology, the safety and sensors company, has sold its entire holding in Ricardo Group, the Sussex-based engines and transmissions designer which merged with SAC International earlier this year.

Mr Fred Westlake, First Technology's chairman, said that the stake had been sold through the stock market and, to the best of his knowledge, had gone to a number of buyers. Ricardo later confirmed this.

Proceeds from the sale of the 2.13m shares amounted to £2.78m, and Dr Westlake said that his company expected to make neither a profit nor loss on the holding.

First Technology bid for Ricardo in early-1989, but after an eventual and hotly-contested battle, only secured 41 per cent of its target.

However, the bidder retained a near-15 per cent interest. If it was harbouring ambitions to return to the fray, these were dealt a blow when the SAC merger was announced in February. The deal ran into some opposition from First Technology, but was finally voted through by shareholders in mid-March.

Bid approach to Hambros Advanced

By Nikki Tait

HAMBROS Advanced Technology Trust, a £24m specialist investment trust, said yesterday that it had "received an approach which may or may not lead to an offer being made for the company."

The announcement was triggered by the recent sharp rise in HATT's share price – which had risen from 91p to 100p in recent days. It closed 15p higher at 115p yesterday.

Top Technology, which manages HATT, declined to elaborate on the nature of the proposals, but said they had "not come out of the blue". The managers added that they did not expect the proposals to lead to any change "from an operational point of view".

They also raised the issue of whether it was desirable for venture capital funds to be listed – suggesting that six-monthly reporting periods made management of such funds difficult. "It's often a case of feast or famine," remarked Top.

Just under half of HATT's shares are owned by Hambros, the merchant banking group, and a further 14.9 per cent by Ikea Holdings, part of the Scandinavian retail group. The Bank of England Pension Fund has another 6.93 per cent.

The trust, which came to the stock market in 1987, has subsequently paid out to shareholders the gains made on its holding in Vodafone. At present, it is still highly liquid – with over 50 per cent of its assets in cash or fixed interest securities.

Over the past 12 months, the trust has traded at a fairly wide discount to underlying net asset value; according to daily figures compiled by Barclays de Zoete Wedd, the average discount over the past year has been about 27 per cent.

Among the trust's largest holdings at present are stakes in Telematics, the US-listed group, and International Colour, a quoted UK company. Top said it hoped that a further announcement could be made in about a week's time.

Birmingham Mint turns in reduced profits of £208,000

By Peter Franklin

BIRMINGHAM MINT, the electronics and engineering group, yesterday reported pre-tax profits of £208,000 for the year to end-March. Turnover amounted to £40.73m.

The outcome compared with profits of £3.41m from turnover of £43.97m last time but represented an improvement on the losses of £599,000 reported at the halfway stage.

The interim deficit was determined after a provision of £507,000 against a potential loss on an overseas contract – this was subsequently released in January following receipt of funds from the customer concerned – and a provision of £350,000 against stock held by the electrical contacts division.

The sudden plunge into losses at that stage resulted in the resignation of Mr Colin Perry, then executive chairman.

Last year's figures were restated to reflect the one-off gain on the sale of the Wembley factory in March 1989 – taken as an exceptional item of £1.59m – and the prior year element of the provision against stocks of its electrical contacts business which amounted to £410,000, net of related tax credit of £221,000.

A detailed review of this stock as at December 31 1989 has been conducted and directors concluded that a further provision or write-off totalling some £1.5m should be made.

The review indicated that at least £631,000 of this stock write-off related to the previous year, accordingly the group's results for the year to March 1989 have been restated.

Profits at the operating level came to £962,000 (£2.38m) and interest payable amounted to £754,000 (£562,000). Extraordinary debits totalled 2.68m.

Tax took £146,000 (£565,000) and earnings per share came out at 2.5p (20p). A final dividend of 5p is recommended, making 5.5p (8p) for the year.

Mr Tony Cross, chairman, said it was intended to develop the group through two major divisions, International Minting and Specialist Engineering. The companies within these divisions currently appeared to offer the prospect of generating relatively stable profitability in today's difficult trading conditions, he said.

BAT completes sale of Saks Fifth Avenue

By Nikki Tait

BAT Industries, the tobacco-based conglomerate which earlier this year saw off a £13.5bn bid assault from Sir James Goldsmith, announced that it has completed the $1.5bn (£854m) sale of Saks Fifth Avenue to Investcorp, plus the disposal of Eurotec, the West German moulded plastic component manufacturer, to Klockner Werke for £155m.

BAT also confirmed it was in negotiations with "several parties" over the disposal of its majority interest in Horten, the West German department store chain. But it declined to comment on whether one of these parties might include Peek & Cloppenburg, the textile group, as rumoured in the German press.

The UK group was still hopeful that the Horten transaction might be agreed this month.

The sale of Horten is the final move in the extensive restructuring package which BAT announced last September in response to the Goldsmith bid threat. This included two demergers and the disposal retail operations.

Australian losses put Grand Central £83,000 into the red

HIT BY losses in Australia, Grand Central Investment Holdings ran up a deficit of £83,000 in 1989, compared with a profit of £2.01m previously. The dividend, however, is being maintained at 1p with a final of 0.65p.

Turnover of this food group with interests in the Far East rose from £20.95m to £35.4m. Losses per share came to 0.5p (earnings 5.1p).

Sales of the food distribution business in Australia increased to £22m; although there was improvement in the second half much of that was negated by stock write-offs and retrenchment benefits.

All the Malaysian companies traded profitably, and were expected to show substantial improvements in 1990.

Grand Central also announced it was taking a stake in Sunshine Allied Investments, a Singapore listed manufacturer and distributor of consumer chocolates and other food products.

It already has an option with a major shareholder to acquire 22.2 per cent of the capital at S$4.50 per share, expiring August 31. Now it has agreed with Elders Finance Asia to buy a total of 24 per cent of the capital through the purchase of 1.33m shares, also at S$4.50, and later by the purchase of a further 1.15m at the same price.

As part of the financing for that investment, Grand Central has issued 1.8m shares at 45p and will later issue a similar tranche at 50p to Levistar Investments, a Hong Kong company controlled by the Mulani family. It felt this association would further strengthen its presence in the region.

Dissident canvasses Chloride shareholders

MR MAURICE Gillibrand, a former research director of Chloride and long-time critic of the batteries group's poor performance, said yesterday that he had sent written proposals for the company to a number of its institutional shareholders, writes Nikki Tait.

Mr Gillibrand is standing – for the fifth time – for election to the Chloride board at the company's AGM on July 23. The group informed shareholders of this resolution last week, but said that it "remained of the firm opinion . . . that the election of Mr Gillibrand to the board would not contribute to its effective working."

That prompted Mr Gillibrand to write back to the company, claiming that the charge was "offensive to my professional integrity." He said that the report – prepared after consultation with Sir John Harvey-Jones, the former chairman of ICI – would be available to any shareholder who sought it.

NEWS DIGEST

Philip Harris lifts profits to £1.4m

PHILIP HARRIS Holdings, a supplier of laboratory equipment and operator of retail pharmacies, lifted pre-tax profits from £911,000 to £1.4m in the year to March 31.

Mr John Haller, chairman, said the company aimed to further extend its incursion into the pharmacy market and to address and rationalise the overhead costs of the science and routine international operations.

Turnover increased from £65.5m to £75.6m, generating operating profits of £2.04m (£1.18m). A proposed final dividend of 3.75p brings the total for the year to 5.75p (5.5p). Earnings per 20p share improved to 10.57p (6.94p).

The company also announced an agreement with Cregoe Colmore Estates to jointly market its property at Ludgate Hill in Birmingham City Centre together with the adjoining land fronting Great Charles Street, owned by Cregoe. The net book value of the Philip Harris property is £1.5m, but a substantial premium to this is expected on disposal.

AB Engineering profit at £1.3m

All divisions at Associated British Engineering performed well in the year to March 31, and pre-tax profits increased from £834,000 to £1.28m.

Directors said the group was now reaping the rewards of reorganisation and repositioning in the market place which had been accomplished over the past few years. Turnover rose from £31.43m to £36.99m.

A split of the profit showed: catering equipment £687,000 (£682,000); electrical £253,000 (loss £66,000); Middle East £73,000 (£48,000) and engineering £298,000 (£360,000).

Earnings were 0.42p (0.25p) per share, and the proposed dividend is 0.1p (0.08p). Extraordinary costs of £254,000 related to the intended acquisition of a French company.

Sharp reversal at J England

J England Group, involved in convenience foods, incurred a deficit of £631,655 in 1989.

The outcome of the Shropshire-based company showed a marked reversal from profits last time of £284,818. Turnover, however, expanded 40 per cent to £4.7m (£3.35m).

Directors blamed the poor result on "production difficulties", a shortage of skilled labour and an "overall lack of management" which delayed rectification of manufacturing problems. These problems had been resolved, they added.

Losses per 5p share worked through at 10.81p (earnings of 4.72p). There is again no dividend; the last payment was in 1982.

Improved outlook for James Dickie

On a merger accounting basis to include Goldstar, acquired in March, pre-tax profit of James Dickie came to £38,000 in the half-year ended April 30.

The profit was struck after exceptional redundancy and reorganisation costs of £192,000, and compared with £278,000 in the corresponding period. Turnover of this drop forger and engineer was £13.6m (£7.89m).

The directors said the current position had improved and they were declaring the promised interim dividend of 1.0125p. Order books had recovered and were in a stronger position.

Jurys Hotel moves ahead to pass I£3m

Reflecting improved trading and higher levels of occupancy, Jurys Hotel Group increased its pre-tax profit from I£2.27m to I£3.13m, or £2.86m, for the year ended April 30 1990.

Earnings were 12.9p (8.9p) per share and the dividend 5p (4.5p) with a final of 3p. There is an extraordinary provision of £1.07m for deferred tax arising from the significant change in Government policy.

Mr Walter Beatty, chairman, said the group benefited from the high investment of recent years. Trading for the opening two months of this year was ahead, and bookings for the rest of the summer were healthy.

Consensus is that the worsening economic climate will ultimately hit every company **writes Nikki Tait**

The heady years are over and the worst is yet to come

WARNINGS of doom and gloom in British balance sheets have become commonplace. But as far as the published numbers are concerned the worst has yet to arrive.

According to analysts at County NatWest WoodMac, for example, the year-on-year growth in industrial earnings has been declining steadily since 1988. But it may not be until the first half of 1991 – in terms of reported results – that the nadir occurs.

Very broadly, WoodMac calculates that year-on-year industrial earnings growth reached its peak in three of the four quarters in 1988, when it was running at around 22 per cent. At that stage the rate of improvement in reported profits was easily outstripping the rate of dividend growth; the latter figure stood at only 15-18 per cent.

The fall-off in the rate of earnings growth first became noticeable towards the latter half of 1989, and by March 1990 – the point at which the calender 1989 profit figures were showing through – the year-on-year rise was down to 17 per cent. By June the figure had fallen to 13 per cent.

Dividends, on the other hand, proved more resilient, with the average industrial company still increasing its annualpayout by around 20 per cent in the March figures, and by around 17 per cent in the end-June statistics.

These relatively healthy gains may seem curious, juxtaposed against the headline wailings in the financial press. Time-lags are obviously a large part of the explanation. A hike in interest rates may have an immediate impact on those companies with high debt, but the squeeze on consumer demand, and then on investment demand, takes longer to work through. A second lag occurs before results are published reflecting such problems.

Certainly – in spite of dire warnings of tough times ahead – there has been a fairly steady stream of major companies with March year-ends reporting double-digit profits growth for 1989/90. Recent examples have even extended to some of the most vulnerable sectors, such as retailing – companies like Boots or Marks and Spencer.

If analysts' predictions are correct this scenario is about to change. WoodMac suggests that by September (when the effect of June year-ends starts to tell), year-on-year industrial earnings growth could be down to 11 per cent.

By December a figure of only 9 per cent is predicted. And by the first half of 1991 the analysts suggest that reported industrial earnings could be showing an improvement of just 5 or 6 per cent.

These sort of forecasts command fairly broad agreement. SG Warburg, for example, predicts that growth in 1990 overall might run out at 5 per cent or less, with only a very modest upturn in the following year.

Neil McKinnon, at Yamaichi, suggests that the corporate sector would be "very lucky" to still be showing double-digit earnings growth by the time the 1990 June year-end figures show through. Like Warburg, he forecasts 5 per cent, year-on-year, for the current calender year.

Clearly, such "macro" forecasts conceal significant "micro" variations. The most obvious area of difference is sectoral: certain areas have caught the immediate blast of high interest rates and the clamp on consumer demand.

Housebuilding and retailing are two clear leaders; the property sector has not been far behind. By contrast, some analysts expect "defensive" sectors – like food retailing – to continue showing double-figure earnings growth over the next few years.

The pundits also stress the difference between those companies which have a heavy exposure to UK demand and those with a much wider international spread of activities – the latter providing a far more cheerful picture. In some sectors, a strong overseas bias even combines with defensive merits, making for the best of all worlds. Certain "health and household" companies clearly fall into this category and, to some extent, drinks groups.

By contrast, heavy dependence on the squeezed UK market coupled with exposure to domestic borrowing costs is invariably offered as an explanation for the relatively weak performance of the "small company" sector.

"Small domestic companies are having a very hard time of it," remarks one analyst. "Large companies often have the ability to borrow overseas," comments another, "while small companies have no choice but to use the local bank manager".

If predictions for the trend in corporate profits are correct, a couple of questions present themselves. One unknown is how the downturn in corporate profits growth may affect dividend declarations.

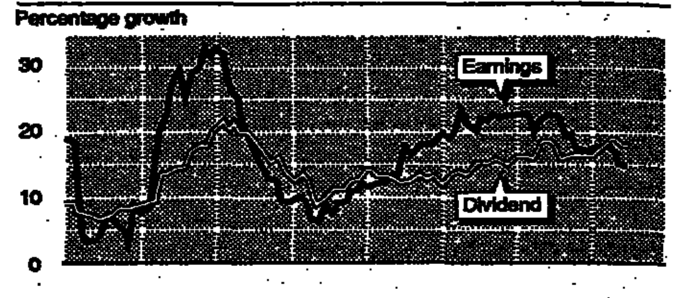
There has been a clear trend among many major companies to reduce dividend cover and let payout increases exceed earnings improvements. That, in turn, causes many analysts to suggest that, even if earnings growth slumps to a low of around 5 per cent, dividend growth may still outstrip this by several percentage points.

The other question is where corporate earnings growth will recover to, assuming that a low point is reached between December, 1990 and June, 1991.

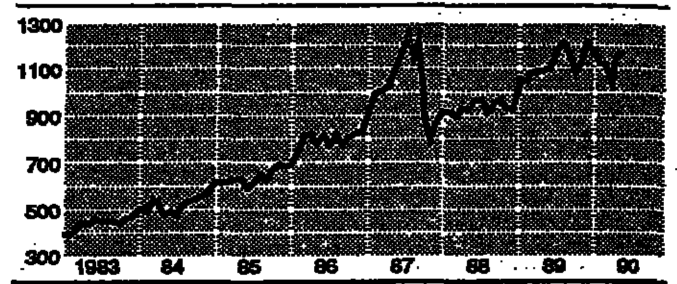
Few City voices are over-optimistic, barring some unexpected boost – such as a shift in raw material costs. Bob Semple at WoodMac suggests that earnings growth might head for 10 per cent year-on-year in 1992. "The 20 per cent days? There's no way we'll be repeating that," he predicts.

FT-Actuaries Industrial Index

Percentage growth



FT-Actuaries All-Share Index



Higher interest rates have had an adverse effect across a broad sweep of industry. FT writers assess the profit outlook for the rest of the year

CONGLOMERATES

The conglomerate sector is, by its very nature, heterogeneous, Not surprisingly, then, performance to date has varied considerably between companies.

Williams Holdings, for example, saw earnings growth of just four per cent in 1989. Its consumer products side generally suffered from depressed domestic demand levels, but even here in this division there were some widely differing performances from the various operating businesses.

First quarter figures at BAT Industries were hit by the problems of Eagle Star, its UK insurance subsidiary. This produced a 27 per cent profits fall, although the company talked of "solid progress" in 1990 overall. Hanson, while reporting a 12.7 per cent advance in earnings per share in the six months to end-March, found some of its UK building products subsidiaries – notably London brick – badly hit by falling demand. And so on.

Accordingly, prospects for the sector are also something of a mixed bag. A number of the Britain's largest and best-known conglomerates – like BTR or Hanson – are still expected to show earnings growth in double figures this year. Some of the remaining "mini-conglomerates", with more exposure to the UK industrial sector, may fare less well.

And, given the acquisitive records of many of these companies, the state of any conglomerate's balance sheet has almost as much bearing on stockmarket sentiment at present as the industrial prospects for its underlying businesses. Most people expect the economic downturn to throw up acquisition opportunities. The question is, who will be able to take advantage ?

Nikki Tait

BANKS

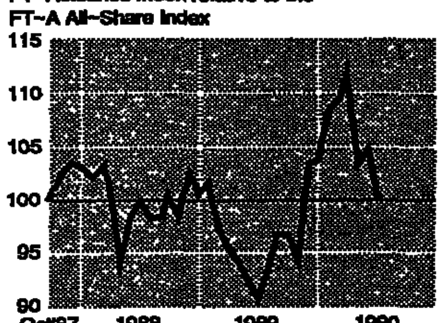
The big UK clearing banks have made no secret of the fact that their interim results, due between July 27 and August 3, will be poor.

The combination of slower economic activity, rising bad debts and squeezed margins is proving very painful. This *means they will have to make higher* provisions against bad debts at a time when their income is already under pressure.

Although Sir Kit McMahon, the chairman of Midland Bank, issued a profits warning as far back as April, the situation has got worse quite rapidly

Banks

FT-Actuaries Index relative to the FT-A All-Share Index



in the last couple of months. The collapse of British & Commonwealth – which will cost Barclays alone £100m – came as a nasty shock, and every day brings news of fresh companies in trouble.

Analysts have been cutting back their profit forecasts by 10-20 per cent to take account of the deterioration, and they also expect some time to pass before the situation improves.

The actual results may well show large increases over last year's figures because the clearers made large substantial provisions against Third World loans in their 1989 interims.

Warburg Securities analysts stripped out the effect of exceptional provisions to find the underlying trend. This shows Midland Bank producing potentially the worst results with a 35 per cent fall to £203m, followed by Barclays down 12 per cent to £722m. NatWest is expected to be down by 10 per cent to £637m and Lloyds down 7 per cent to £483m.

Warburg expects the best result will come from the Abbey National which reports at the same time and will show a rise of 15 per cent to £292m.

David Lascelles

CIVIL AVIATION

The slowdown in the UK economy has coincided with one of the most difficult periods through which British civil aviation has had to pass.

Evidence of restructuring in the industry abounda. Three airlines – British Island Airways, Paramount Airways and Novair – have already ceased trading. Others, such as Dan Air and Air Europe, are looking for partners.

Those involved in the charter business have been worst affected by a 20 per cent downturn in holiday traffic. Carriers in this sector are busy slashing capacity. In May, Britannia, part of the International Thomson travel group which controls 29 per cent of the UK charter market and handled 7m passengers in 1989, laid off 250 staff.

Airlines are now having to deal with rising costs at the same time as falling demand. Airport landing charges, air traffic control and security fees, fuel costs and growing capital costs caused by high interest rates are all making inroads into margins. Staff costs are also rising.

Carriers throughout the world are reporting slowing profit growth and not even the largest airlines have escaped such problems. In spite of a 40 per cent increase in profits before tax in the year to March, British Airways has recently started making attempts to reduce its cost base.

Looking to the future, analysts believe the revenue generation side of scheduled *airlines' business is looking healthy, as* long as congestion and air traffic controllers do not put off too many potential passengers. But the City is looking carefully at how the airlines control their cost base.

Paul Abrahams

ENGINEERING

Profits in the general engineering sector are likely to rise about 10 per cent this year, with earnings per share up 6 per cent.

The growth rates will be well down on the heady days of 1989 when pre-tax profits were growing at 22 per cent and earnings per share by 18 per cent, according to Warburg Securities.

The difficulties of the first six months *are extending into the second half of* the year and soft demand is spreading from consumer related sectors deeper into manufacturing. Yet this generally dull trend will mean some significant differences in performance.

Companies with a low exposure to the UK economy and the automotive sector, such as the Howden Group, the Weir Group and TI, are likely to continue *to grow. Others such as Siebe, should* continue to deliver strong earnings growth as long as it can improve returns from large foreign acquisitions, while Vickers seems to be avoiding the gloom which has infected the rest of the sector, possibly thanks to its Rolls Royce luxury cars subsidiary.

Meanwhile companies heavily *dependent on the automotive sector in the US and the UK are likely to provide* disappointing profits compared with the buoyancy of last year, while in the longer term defence and aerospace companies will be affected by cuts in defence spending.

However defence profits may start being hit just as the rest of engineering is starting to recover. Although the downturn in the UK is lasting longer than many initially expected, most executives still expect profits to start growing strongly again in 1991.

Charles Leadbeater

MOTOR COMPONENTS

Major players in the automotive components sector have given clear warnings this year that profitability will be under pressure from falling demand in some major markets, as well as high interest rates.

Mr David Lees and Mr Colin Hope, chairmen of GKN and T&N respectively, have each warned of "belt-tightening" ahead as vehicle demand falls in the UK and North America.

However, Mr Rob Golding, senior motor analyst with Warburg Securities, says that "so far there is no evidence of actual margins being squeezed", at least for the larger players.

One reason for this, as acknowledged by Ford in the US, for example, is the more inter-dependent relationship between vehicle and component makers. Ford admits that it has squeezed its suppliers' margins too hard in the past.

"We now recognise that they've got to be healthy as partners", said one senior executive in Ford US' purchasing division. "We rely on them, so they've got to have a margin."

Up until early this year, the UK's largest component makers had been making steady financial progress:

Lucas Industries enjoyed 11 per cent growth in earnings per share last year compared with 1988; GKN had 14 per cent growth and BBA 10 per cent. The fourth large player, T&N, saw its earning per share fall by 9 per cent – but this was due to continuing provisions T&N is having to make in relation to asbestos health claims.

Mr Golding expects that in the current year GKN's earnings per share will fall by 10 per cent, but T&N by only 2 per cent, while small increases in earnings are expected for BBA and Lucas.

However, the 'big four' are by definition among the survivors who have successfully undertaken major restructuring. Many smaller, currently less efficient companies are likely to be confronted by a profits squeeze.

Despite the short-term problems, there are two main factors expected to boost demand in the early to mid-1990s: the Western-aided renaissance of a motor industry in Eastern Europe, and the coming on stream of Japanese car 'transplants' in the UK, for which, it is now clear, UK component groups are well placed to win substantial orders.

John Griffiths

MOTOR RETAILING

Gloom pervades the automotive distribution and retailing sector. After five years of uninterrupted UK new car market growth, sales have gone sharply into reverse during the past 10 months and the downturn appears still to be accelerating.

Among the major retailing groups, BSG has underperformed the stock market overall by 31 per cent, its shares dropping from 89p 12 months ago to 55p now.

TC Cowie has under-performed by 62 per cent, its 148p high of last year having dropped to 60p. Similar performances have been put in by the Appleyard group, Evans Halshaw and *similar like players.*

Most sector analysts expect a further substantial fall in earnings during the coming year as a result of the trade being hit in several ways by high interest rates.

On the one hand, the squeeze has sharply cut new car demand to an estimated level some 15 per cent below that of mid-1989. On the other, most companies in the sector are highly geared, *with stocking costs adding to the burden* as the August sales boom approaches.

Even the weather has conspired against the sector: the exceptionally mild winter meant much reduced flow through body repair shops, and vehicle reliability and service intervals are continuing to increase, further reducing cash flow.

Against this background, there is growing concern *that the August 'H' registration plate* sales 'blip' will pull forward more sales than usual from the final quarter of the year, thus precipitating a potential financial crisis for many in the trade by the end of the year.

John Griffiths

RETAILING

The first profit warning from a leading retailer was that from Dixons in January 1988. Since then it has become almost the fashion for stores groups to warn shareholders that "times are tough" in the high streets.

Particularly badly hit have been retailers of household goods – such as furniture, carpets, washing machines, and do-it-yourself goods – because these are often tied into house purchases and are affected by the slowdown in housing activity.

However, analysts point out that many of the sector's problems are of the stores groups own making. Government statistics, although not perhaps reliable, show that consumer spending in shops is holding up better than expected.

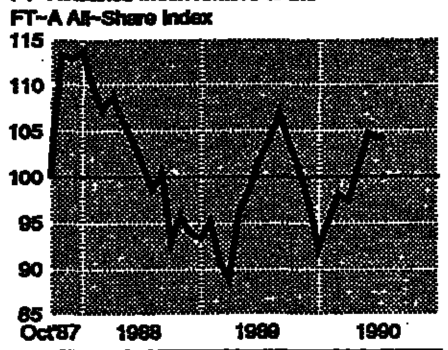
The main problem has come from overcapacity in the industry following rapid expansion in the latter half of the 1980s. This is particularly true in areas such as clothing.

The next few months will sort sheep from goats in the retail sector. While some groups – including Kingfisher, Marks and Spencer, Boots, W H Smith and Ratners – are expected to continue increasing profits others are still on the downward path, such as Burton. A third category are those which have suffered profit falls already and are now beginning to recover. These include Storehouse, Laura Ashley, Next, Dixons and Sears.

There may yet be further surprises from the sector, though. Analysts are concerned about related issues such as retail property development which many stores groups have moved into as an

Food Retailing

FT-Actuaries Index relative to the FT-A All-Share Index



adjunct to their mainstream business. Capital values of retail developments are falling in response to difficulties in the sector.

Maggie Urry

CONSTRUCTION

Conditions in the construction sector, battered by the collapse of the housing market last year, appear set to deteriorate as the impact of rising interest rates catches up with the commercial property sector.

Private investment in residential and commercial property was the main *driving force behind the big rise in* construction and building material profits which occurred in the late 1980s.

Demand for property however has retreated in the face of high interest rates and overbuilding in the commercial sector. Unfortunately the US, where many British companies have diversified, is also facing a major downturn in construction output – although as might *be expected in such a vast country there* are pockets of resistance and even growth in some states.

Building material companies with the best prospects are those like Steetley, Redland, RMC, and CRH of Ireland which have invested heavily in continental European countries where construction output over the next two years is forecast to continue to grow, albeit more slowly.

West Germany, after a lacklustre performance for construction investment for much of the 1980s is forecast to increase construction output by 5 per cent this year and 2.5 per cent next year. Only Spain is expected to have a higher growth rate among EC countries.

Construction output in the UK is forecast by the National Economic Development Office to fall by 3.5 per cent this year and by the same amount next year. Most contractors however have sufficient orders to take them through to the end of this year.

Contractors which will suffer most will be those with large borrowings and speculative housing and commercial development businesses. The decline in commercial property values which began in central London is expected to spread slowly to other regions of the country following the recent experience in the residential market.

Increased investment in water, roads and electricity may offset some of the decline but is not coming through as quickly as expected. The next two years, even assuming a modest recovery in housing output next year, are likely to be tough. Profits for many companies will fall and there will be more receiverships.

Andrew Taylor

BREWING

Recent results from the brewery sector were generally in line with expectations and the more confident trading statements that accompanied most of them suggest the market will continue to withstand the squeeze on consumer spending.

First quarter beer production figures, according to the Brewers' Society, showed relatively stable demand.

Only the southern regional brewers, such as Eldridge Pope and JA Devenish, appear to be finding the going particularly tough.

The performance of the major brewers earned consistently high marks from analysts. Grand Metropolitan, with interim pre-tax profits up 36 per cent to £409m, met the most optimistic forecasts and full year estimates were raised to £925m.

Guinness, now bound in a stronger relationship with LVMH of France, appears ready to exploit the opportunities this affords. Profits are expected to rise to £850m this year, and top £1bn in 1991.

Bass, the UK's biggest brewer, though hit by sharply higher interest charges in the first half, increased brewing profits by 27 per cent. With an encouraging first report from its US Holiday Inns acquisition, it seems set for full year profits of £553m against £465m last year.

Whitbread, reorganised to meet the demands of the Monopolies Commission conditions, is confidently predicted to increase earnings per share this year by 19 per cent, and by another 15 per cent next year.

Allied-Lyons, though still to decide whether to stay in brewing or not, is rated a reliable bet to continue a solid half-year performance and raise full-year profits by more than 12 per cent to £635m.

Philip Rawstorne

PROPERTY

The recent round of results from commercial property companies highlights the difference between those companies which earn profits from rents *from long term investment in offices,* shops and factories and those companies which need to sell buildings to survive.

Most at risk are developers which are heavily borrowed and which are unable to find buyers for their developments which in some cases will fetch less than the amount of money borrowed to build them.

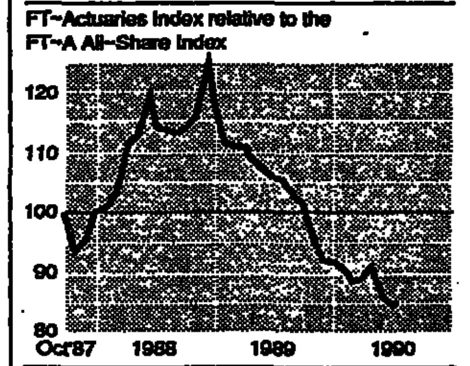
Long term investors however will *benefit from large increases in* commercial rents which occured during the late 1980s and which only now are beginning to work through as rent reviews are triggered. The extent of previous rent rises easily outstrips the recent weakening in rental values.

Developers which need to sell are facing much greater strain. High interest rates and the prospect of more office space *coming on to the market than will be* needed during the next few years in central London – Britain's biggest commercial property market – has persuaded *many investment institutions* temporarily to stop purchasing.

Great Portland Estates at the beginning of last month announced a 17 per cent fall in the underlying value of its City of London office portfolio since March

Property

FT-Actuaries Index relative to the FT-A All-Share Index



last year. British Land over the same period said its City office properties had fallen by more than 10 per cent in value.

Profits from sale of developments at British Land fell from £24.3m to £4.2m. Gross rental income, benefitting from the rent reviews however rose by 40 per cent from £56m to £78.6m.

The property market will continue to remain difficult as reduced investment and tenant demand is expected to spread to other parts of the country.

Several developers have collapsed already this year including Rush & Tompkins in which Hochtief a West German contractor had taken a 25 per cent stake. More are likely to follow. Long term property investors with reasonably healthy balance sheets are not at risk.

Andrew Taylor

CHEMICALS

Analysts are generally anxious about the short-term prospects for many of Britain's chemicals companies. The sector has swung recently into a downturn which has depressed prices at the commodity end of the industry, and had a sharp effect on profits.

Another unsettling factor is that because of tighter environmental regulations, much of the industry will face higher costs over the next few years on new equipment to treat effluent and other waste.

Imperial Chemical Industries, Britain's biggest chemicals group, is nowadays only partly a bellwether of the UK industry as it gains no more than a quarter of its sales from the UK.

But it is not immune from the downward pressure on prices and profits in many chemicals fields in much of the developed world. Analysts are expecting a pre-tax profit for 1990 of about £1.40bn, significantly below the £1.53bn figure for last year.

ICI, for all the moves in recent years towards high-value areas of chemicals such as drugs and agrochemicals, still gains a large part of revenues from bulk areas such as fibres, plastics and high-volume industrial materials.

Companies which have put greater emphasis on the so-called speciality fields of chemicals – which sell in low volumes and at high prices – are expected to fare somewhat better.

The stockmarket was cheered recently by the figures for 1989 of Allied Colloids, a speciality company which makes dozens of products for fields as diverse as water treatment and textiles processing.

Laporte is another speciality chemicals group which in recent years has targeted *areas of chemicals which look to be* protected from some of the cyclical downturns in the industry at the bulk end of the sector. At the taxable level it showed a profit of £100m in 1989 and analysts are expecting a figure of about £126m for this year.

Peter Marsh

ADVERTISING

The days when the market services sector was one of the whizziest areas of the stock market are a long way away.

The advertising agencies and design groups which once saw their shares rise rapidly as they regaled the market with the details of their latest trans-Atlantic deal, are now struggling against hefty debts, plunging profits and crippling liabilities.

Broadly speaking the sector falls into three categories. There are the casualties. The worst cases are FKB, the sales promotion company, and Michael Peters, the design group, which are now so fragile that they have been forced to try to find new finance. Then there are the companies like Saatchi & Saatchi, Yellowhammer and the VPI Group, which are paying the price for their over-ambitious expansion in the 1980s.

Another clutch of companies fall into the "jury is still out" category. These are the companies – such as WPP, the world's largest marketing services group, and Shandwick, the public relations consultancy – which were highly acquisitive in the 1980s.

And then there is the small band of successes. These are the advertising agencies – the Lowe Group, Abbott Mead Vickers and Gold Greenlees Trott – which have increased profits year after year, but have seen their shares slide steadily because of the problems of the other members of the sector.

Alice Rawsthorn

MEDIA

Virtually all the media industries in the UK, from radio and television to newspapers and magazines, are suffering from a squeeze in advertising revenue because of the slowdown in the economy and few are predicting much of an upturn this year.

Mr Michael Waterson, research adviser to the Advertising Association, believes the rapid decline is the worst since 1974.

For the first six months of this year net revenues of the 16 ITV companies grew by just 2.5 per cent and that performance was enhanced by an unexpectedly large 12 per cent rise in June, probably partly due to the surge of viewing caused by England's unexpected success in the World Cup.

Within the total the two London companies, Thames and London Weekend Television, have been consolidating their share and in May took 28 per cent of total revenue, something that has only happened eight times in the last five years.

Mr Jonathan Shier, chairman of the ITV Association marketing committee, believes the overall increase for the year will be between 4 and 5 per cent that that will depend on a *final quarter rise* of eight per cent.

Newspaper advertising revenue is under pressure particularly in the south east and classified advertising, which tends to lag behind the performance of the economy, probably has still some way to fall.

Market leadership, particularly in the magazine sector has become even more important in such difficult trading conditions. Companies such as IPC, Reed International's magazine subsidiary, report revenues holding up well and EMAP, the newspapers, magazines and exhibitions group, recently reported a 13 per cent increase in pre-tax profits to more than £38m.

Raymond Snoddy

Acquisitions lift Newman Tonks

By Jane Fuller

NEWMAN TONKS, the Birmingham-based maker and distributor of catches, locks and other parts for doors and windows, increased pre-tax profit by 27 per cent, from £9.01m to £11.4m, in the six months to April 30.

Turnover grew by 54 per cent to £125.37m (£81.32m). Mr Geoff Gahan, chief executive since February, said most of the expansion came from acquisitions.

With 60 per cent of turnover and profit in the UK, much of it tied to commercial building, he said the group had noticed some thinning of orders.

At the operating level, a 46 per cent rise in profit was eaten into by £2.09m net interest costs, compared with only £241,000 last time.

Mr Gahan said the lower profit margin reflected the emergence of the specifications division which did not achieve the same level as the traditional Newman Tonks businesses. The group was trying to improve margins in this area, which would account for sales of £75m in a full year.

The February 1-for-4 rights issue, which raised £32m, and the sale of the gas controls business, completed this week, had wiped out debt and delivered a small amount of cash into the bank, he said.

Because of the rights issue and other issues for acquisitions, earnings per share advanced rather more slowly to 8.18p (7.73p) on a slightly reduced tax rate. The interim dividend is unchanged at 3.8p on the higher capital.

● COMMENT

Although Newman Tonks was playing down the impact of contraction in the commercial building market, it is obviously vulnerable. And the refurbishment "cushion" may well prove thinner than is hoped. On the plus side, the Thomas Laidlaw acquisition can deliver various advantages. The first comes on the cost-saving side through rationalising the UK's largest distribution network for "architectural hardware". Then, these outlets, which get only 10 per cent of the goods they sell from Newman Tonks companies, could clearly increase that proportion. But, as with the factory reorganisation carried out in the US, the main benefits will come through next year. More immediate growth can come from continental Europe, where the group has established effective bases. A strong balance sheet will enable the group to continue making add-on acquisitions, although shareholders would shudder at seeing any more paper. A full-year pre-tax profit forecast of £25.5m gives a prospective multiple of just over 10 – not cheap, but supported by a prospective yield of more than 7 per cent.

Tough negotiator delays perfect partners

Alice Rawsthorn on Abbott Mead Vickers' long courtship of SMS

Abbott Mead Vickers has a problem. For more than three years the London advertising agency has been trying – and trying – to agree the terms of a deal to take over Scali McCabe Sloves, an agency in New York.

SMS would be a perfect partner for AMV. The two agencies have been working together for ten years. They have common clients and compatible cultures. AMV wants to buy SMS and SMS wants to be bought by AMV. A year ago they agreed the basis of a deal. But that was before Ogilvy & Mather, the US agency which owned SMS, was taken over by WPP, the UK marketing services group run by Mr Martin Sorrell.

Mr Sorrell is a notoriously tough negotiator. He is willing to sell SMS to AMV – WPP does, after all, have hefty debts to repay – but at a price. Early this year Mr Sorrell offered to swap SMS – and its 23 per cent stake in AMV – for just under 50 per cent of AMV's equity and roughly 30 per cent of its voting shares.

This price was too high for AMV. The WPP stake might have dragged down its shares. Moreover, the AMV directors are adherents of the "purist" school of advertising agency management and are opposed to the "Sorrell" school, which believes that businessmen should look after an agency's finances and ad executives should stick to advertising.

When AMV's preliminary results were published in March, it wrote off the £590,000 spent so far in its attempts to acquire SMS. Nevertheless, according to Mr Peter Mead, group chief executive, it is still keen to acquire the US agency. AMV and WPP are now embroiled in yet another round of negotiations.

At first glance it seems surprising that AMV should be so determined to take over SMS. Since going public five years ago it has adopted a cautious approach to expansion.

David Abbott (left), and Peter Mead: in spite of the commercial pressures of going public we have not had to compromise at all

It has made a series of small investments: including the acquisition of Leagas Delaney, another agency, and a contribution to the start-up of Frew Dale Macmaster, an investor relations consultancy. But it has really concentrated on consolidating its position as a successful London agency.

As a result AMV has been able to protect its culture and its creative reputation. Mr David Abbott, chairman, said that in spite of the commercial pressures of going public "we have not had to compromise at all". The agency is seen as the bastion of *bourgeois* advertising, chiefly thanks to Mr Abbott's eloquent ads for Volvo cars and the Economist magazine.

The cautious approach has paid off. At a time when other London agencies are suffering from the slowdown in advertising expenditure AMV has continued to win new business. The main agency won £16m of new accounts in 1989 and has already won £11m in 1990.

Mr Mead is proud of the fact that AMV has never made anyone redundant. Although the main board directors sacrificed their bonuses so the group could meet its profit target.

Many of the ambitious agencies of the 1980s – notably Saatchi & Saatchi – are now struggling against plunging profits and crippling debts. AMV, by contrast, has enjoyed uninterrupted profits growth. Its pre-tax profits rose from £4.8m to £5.9m, on turnover of £123m, last year and Warburg Securities expects another increase to £7m this year.

AMV is also one of only two stocks in the marketing sector to have net cash in its balance sheet.

Why then is AMV willing to run the risk of a major acquisition? The answer is that by buying SMS – which owns agencies in Europe, Australia and Canada as well as the US – it would become an international advertising network.

Mr Mead then envisages offering the same sort of service in Europe and North America, that AMV offers in the UK. He insists that AMV does not plans to become yet another large multinational network, but he is convinced that "there are international clients who want to work with focused, creative agencies".

The consensus in the City is that the SMS deal makes strategic sense. Ms Lorna Tilbian, an advertising analyst at Warburg, said the two are "a great commercial fit and the people get on very well together."

The problem is that AMV can not afford the £45m to £50m needed to buy SMS outright. Its shares have slipped in the past year because of the problems of the other, less successful members of the marketing sector. It has £5m in cash but interest rates are too high to finance the rest of the deal with debt.

Given that the AMV board was so opposed to WPP's owning a high proportion of its equity, a straight share swap seems out of the question. The only solution seems to be some sort of combination of a shares and cash.

Whether AMV will finally agree terms with Mr Sorrell remains to be seen. Mr Abbott seems sanguine about it all: "The SMS deal still makes sense and there is an emotional attachment to it. But it is not essential for us to become international. We are doing very well as we are."

Gresham House increases nav

Gresham House, an investment trust, lifted its net asset value to 737p at the end of 1989, from 715p 12 months earlier.

For the year it held pre-tax profit at £1.07m, compared with £1.08m. Earnings were 15.4p (11.5p) and the second interim dividend is 4.25p for a total of 7.25p (6.6p).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- EFG, Fleming American Inv Trust, Hambro Eurobond & Money Market, Shoprite, Southern Business.

Finals- Bogod, Boscombe Property, Brown & Tawse, Campbell & Armstrong, Coleiax & Fowler, Greene King, Hollas, Northumbrian Water, Surrey, UMECO, Vardy (Reg), Westport.

FUTURE DATES

Interims-	
Citydalen	July 18
Eurotherm Intl	July 17
Granada	July 11
St Andrew Trust	July 16
Torex Hire	July 12
Trade Indemnity	Sept 18
Tribune Inv Trust	July 19
Trillon	July 6
Finals-	
ASDA	July 17
Birse	July 11
Burtonwood Brewery	July 5
Scantronic	July 10
Unitech	Aug. 7
Wyko	July 11

NEWS DIGEST

NMC static as interest rates bite

LOWER profits from property and a substantial increase in net interest charges held back NMC Group in the year to March 31.

At the pre-tax level the profit was little changed at £10.09m (£10.06m) on turnover ahead from £98.27m to £125.07m.

Since the year-end this UK and US packaging, property and finance group sold Box Corrugated Containers for over £24m as that subsidiary's growth rate could not be continued without additional investment.

The effect on the balance sheet was to increase net assets from £26.8m to £38.5m, with cash accounting for £22.6m (£5m). Mr Norman Gordon, chief executive of NMC, said the group could repay substantially all non-property debts if it so wished.

The net interest charge increased to £2.93m (£1.35m). Fully diluted earnings per share were 11.91p (13.04p). The final dividend is 2.3p making a total of 3.55p (3.3p).

Norman Gordon, chief executive of NMC

Turriff magnetic tape disposal

Turriff Corporation, the Warwick-based construction and plant hire group, has sold Bellman, the magnetic tapes and disc data recording business, to its management for £523,000.

The consideration comprises £358,000 cash and £165,000 in loan notes repayable with interest over the next two years. Bellman made a pre-tax loss of £308,000 for the year ended December 31 1989.

Mr John Wyatt, Turriff chief executive, said that disposal of the interest would enable the company to concentrate on expanding its core business.

Partridge Fine Arts ahead to £2.63m

High interest rates have had little appreciable effect on trading at Partridge Fine Arts, the antique furniture dealer.

In the six months to April 30, the group, placed on the main market last September, achieved taxable profits of £2.63m – an advance of 44 per cent on the outcome for the corresponding period of the previous year.

Turnover totalled £7.81m (£7.29m). Earnings per 10p share emerged at 7.67p (6.71p) and a maiden interim dividend of 2p is declared.

Kynoch losses increase to £0.4m

Taxable losses at G & G Kynoch, the woollen manufacturer, increased from £269,847 to £430,414 in the six months to February 28. Invoiced sales were £2m compared with £1.87m.

Directors said the first six months had been difficult for the wool textile industry. Consumer demand at the retail level had further reduced buying of fabric by garment manufacturers in almost all world markets.

Losses per share were 65p (36.8p). The interim dividend is omitted (1p).

Rising timber prices bite at Unit Group

Full-year profits at Unit Group, the timber pallet and precision engineering components manufacturer, were hit by rising timber prices and higher interest rates.

In the 12 months to end-March, the Third Market-traded group reported taxable profits of £733,771 – a decline of some 30 per cent on the £1.04m achieved in the previous year.

The outcome was struck after interest charges of £463,946 (£365,860). Gearing rose from 60 per cent to 95 per cent over the year, a rise attributed to an extensive capital investment programme and the need to finance higher stocks and debtors.

Turnover amounted to £26.23m (£24.45m). Earnings per 20p share emerged at 9p (17.6p) and the final dividend is maintained at 2.5p for a same-again total of 5p.

Stocklake rises 29% to £5.7m

Stocklake Holdings reported taxable profits 29 per cent ahead at £5.7m in the year to end-March, compared with £4.4m previously. The result reflected faster growth in the second half after a 23 per cent rise at the interim stage.

Stocklake is a holding company with interests in steel stockholding in Africa and the importing of timber, footwear and agricultural equipment.

Turnover increased to £38.03m (£29.56m). Earnings per share came out at 68.9p (61.3p). A proposed final dividend of 10.5p makes a total of 18p (15p).

Sharp downturn at Baker Harris

Baker Harris Saunders Group, the estate agency, reported a sharp fall from £3.81m to £874,000 in pre-tax profits for the year to April 30, on turnover down 15 per cent at £7.56m, against £8.87m.

Mr Richard Saunders, chairman, said the results reflected the slower pace of activity in the central London market, due to the effect of high interest rates on demand and general business confidence.

Immediate prospects were difficult to assess, but he believed that activity in the property market was unlikely to improve until interest rates began to fall. The company's order book, however, continued to grow.

After tax of £355,000 (£1.31m) earnings per share dived from 20.6p to 4p. The recommended final dividend is cut from 4p to 2.25p, making a reduced total of 4.5p (7p) for the year.

Bucknall Austin expands by 27%

Bucknall Austin, USM-quoted quantity surveyor and project manager, expanded turnover 50 per cent and pre-tax profit 27 per cent in the year ended April 30 1990.

From turnover of £20.89m (£13.94m) profit amounted to £1.55m (£1.22m), with quantity surveying accounting for £1.23m (£1.01m) and project management and control £328,000 (£212,000).

Directors were cautiously optimistic for further growth in the current year. They considered there were still many opportunities for growth in the UK building and construction industry, and in the extended European market.

The final dividend is 3.5p for a total of 4.8p (3.9p), from earnings per share of 14p (11.5p).

Farepak boosted by associate

An improvement in operating efficiencies and a boost from its 40 per cent-owned associate led to Farepak recording a 33 per cent increase in pre-tax profits for the year to April 30.

This USM-quoted mail order retailer of meat, frozen foods, gifts and Christmas hampers lifted turnover marginally to £31.92m (£30.79m). But profit came to £2.91m (£2.18m) with the Home Farm Hampers associate contributing £378,000 (£102,000).

Mr Bob Johnson, chairman, expressed confidence that prospects were very good. Orders for 1990 stood at a record and sales showed a substantial increase.

Two travel businesses were bought: Farmhouse Autotours in Great Britain for £300,000 last September, and Anglo World Travel for £290,000 in January.

Earnings were 17p (13.3p) per share. The final dividend is 4.05p for a total of 5.95p (single payment of 1.575p).

TENDER NOTICE

UK GOVERNMENT ECU TREASURY BILLS

For tender on 10 July 1990

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 10 July 1990. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England.

2. The ECU 1,000 million of Bills to be issued by tender will be dated 12 July 1990 and will be in the following maturities:

ECU 300 million for maturity on 16 August 1990
ECU 300 million for maturity on 11 October 1990
ECU 400 million for maturity on 10 January 1991

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 10 July 1990. Payment for Bills allotted will be due on Thursday, 12 July 1990.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euro-clear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on Thursday, 12 July 1990 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of that Information Memorandum (as supplemented).

9. The ECU 50 million of Bills to be allotted directly to the Bank of England will be for maturity on 10 January 1991. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement.

10. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England
3 July 1990

Gold climbs back above $360

GOLD MOVED above $360 a troy ounce on the London bullion market yesterday, while rhodium continued its dramatic advance of the past few weeks, writes David Blackwell.

Spot gold closed at $361.50, up $4 an ounce, after reaching $363 an ounce in hectic trading in the early afternoon. The rise follows Monday's $4.75 advance and the price has now risen by $11.75 in a week.

Analysts attributed yesterday's move to buying from the Middle East – in direct contrast to the recent sales from the area, which were mainly responsible for the fall in the gold price. But yesterday's buying spree did not last long and came during a thin and nervous market.

However, Ms Rhona O'Connell, precious metals analyst with Shearson Lehman Hutton, pointed out that as the price passed the psychologically-important $360 level, producers were not selling into the rally. She thought they could be waiting to see what happens later in the week, as today there is no trading in New York because of the Independence Day holiday.

Rhodium continued to rise yesterday after Monday's leap, and closed in London yesterday at just over $7,000 a troy ounce.

Mr Andrew Smith, precious metals analyst with UBS Phillips & Drew, said that consumers could not see where they were going to get their metal from, producers could not refine enough of it, and there were no stocks. "There is no reason why it should not keep on rising," he said.

Rhodium's rise started last November after problems at a new Rustenburg refinery in South Africa. The company is the biggest producer of the metal, which is used mainly in automotive exhaust catalysts.

The problems are now thought to be over, and there are no hold-ups in the supply chain, one trader said yesterday. But there is no freely available metal left.

Norwegian oilfield strikers defy back-to-work order

By Karen Fossli in Oslo

NORWAY'S OIL production remained depressed yesterday as 1,000 strikers on offshore platforms defied a union back-to-work order and tried to blockade some installations.

With operations resuming at only five of the country's 23 fields output reached just under 500,000 barrels, compared with normal daily production of 1.7m barrels.

On Monday the Government used enforced arbitration to order an end to the strike over wages that had begun at the weekend and had all but halted Norwegian output of and natural gas. Late on Monday the oil worker's union, instructed its 4,000 striking members to return to work.

But defiant platform workers set up blockades to prevent helicopters from landing on offshore installations.

Mr Johan J. Jakobsen, acting Prime Minister while Mr Jan P. Syse, the Conservative Prime Minister, is on holiday, yesterday warned that illegal strikers could lose their jobs and be liable for financial damages caused by production losses.

The Norwegian Oil Industry Association said yesterday that it was considering seeking damages from the strikers and would also consider the role played by their union.

Daily production of between 300,000 and 400,000 barrels resumed at Statoil's Statfjord, Gullfaks and Veslefrikk fields while Norsk Hydro was producing between 60,000 and 70,000 barrels a day from the Oseberg field and 22,000 b/d from the Petrojarl test production ship in the Troll West field.

Norsk Hydro said that it believed production from the Oseberg field could be brought up to its normal daily output of about 300,000 barrels today.

At Phillips Petroleum's d Ekofisk field, however, production remained at a standstill. Ekofisk normally produces 250,000 b/d of crude oil and natural gas liquids, which is piped to Teeside, and 1.5bn cu f a day of gas.

The Government said yesterday that the union had lost control of its members, which was "very bad PR for a nation engaged in serious gas negotiations."

Coffee pact members agree to meeting

A BRAZILIAN proposal to hold discussions on the international coffee pact's future won the backing of other countries yesterday, writes David Blackwell.

The International Coffee Organisation said its executive board would meet on July 23 in London "with the possibility of extending for an extra day to review the situation regarding the process of negotiating a new agreement and to advise the ICO council chairman of any possibility of convening a negotiating group."

At present the coffee pact is in limbo; attempts to support prices through an export quota system collapsed last year. Brazil, the biggest producer, surprised the markets on Monday with its proposal for talks. Yesterday London coffee prices were again ahead because of the news.

Brazilian policy on coffee remains unclear. A trader at one of Brazil's leading export houses said yesterday: "There does not seem to be anybody in the government involved in this question. Private bodies may be acting as co-ordinators, trying to forge a policy."

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,640-1,710 (1,650-1,710).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.30-2.90 (2.40-3.100).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 2.85-3.00 (2.90-3.20).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 8.00-8.30 (8.00-8.30).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 200-225 (205-225).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.03-3.08 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, 4.85-5.50 (5.00-5.60).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 40-54 (40-55).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 2.95-3.20 (2.90-3.10).

URANIUM: Nuexco exchange value, $ per lb, UO, 9.25 (8.65).

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+8,525	to 182,725
Copper	–3,675	to 55,725
Lead	+760	to 43,650
Nickel	+588	to 8,984
Zinc	+100	to 42,825
Tin	+100	to 12,470

Indonesia aims to close cocoa quality gap

Claire Bolderson outlines plans to challenge the big-time exporting countries

IT WOULD be hard to convince an Indonesian cocoa farmer that these are not the happiest of times for cocoa producing countries.

While most producing countries contemplate production cuts in the face of yet another year of surplus supply and depressed prices, Indonesia is planning the opposite. Within the next five years it expects to double cocoa production to around 200,000 tonnes a year and by the end of the century it plans to have increased its current 3 per cent share of the world market to about 12 per cent.

But Indonesia is aware that quantity alone will not be enough to ensure its success as a major cocoa producer and a drive is now under way to improve the quality of the country's beans.

Indonesia is a relative newcomer to the cocoa game. Wide-spread production only took off after the high prices of the late 1970s convinced smallholders, who now account for more than half the country's producers, that there was money to be made from cocoa trees.

In Indonesia the costs of producing cocoa are among the lowest in the world. For most producers, labour is the biggest expense but Indonesia, with a population of 180m, mostly rural based, has no shortage of cheap manpower. The maximum wage for an Indonesian cocoa worker is around $1 a day.

At the same time, cocoa productivity is high, averaging about one tonne a hectare compared with about 300 kg a hectare in the quality cocoa producing countries of West Africa. According to Mr Ibrahim Hasan, head of the Indonesian Cocoa Association, "smallholder productivity is probably one of the highest in the world."

Mr Hasan is confident that Indonesian cocoa growers can withstand even the lowest imaginable Cocoa prices. He points to Malaysia and Brazil as "buffer countries" – when prices fall, they will be the ones to suffer while Indonesia will be able to afford to go on producing.

But it is exactly what Indonesia is producing that now worries the association. High productivity and low costs may be assured but Indonesia knows that is not enough to guarantee successful exports. The aim of the ICA and the Indonesian government now therefore is to switch to producing a much higher quality cocoa bean. At the moment Indonesian cocoa, high in acidity and low in chocolate flavour, is suitable only for blending.

The association last month launched its National Campaign on Cocoa Quality Improvement. The campaign is directed at changing harvesting and post-harvesting practices. Cocoa growers are to be encouraged to switch to the much slower process used in Ghana in which the beans are stored for up to 12 days before fermentation and are then dried slowly in the sun. For the bigger cocoa plantations an industrial version of the Ghanaian system is to be adopted.

The campaign also aims to affect the trading of Indonesia's cocoa by pushing for a fair price differential between high and low quality beans in order to create incentives for changing to the new harvesting methods.

Mr Hasan says the cost to cocoa producers of making the changes is negligible and he does not envisage any problems in persuading farmers to adopt new harvesting practices.

The Indonesian cocoa producing community is in a positive frame of mind. So much so that Indonesia is now contemplating joining the International Cocoa Organisation. In the past, Indonesia has shunned the organisation because it could impose export and production controls.

The Indonesian Ministry of Agriculture has said, however, that with the current suspension of the International Cocoa Agreement, now could be the right time to join, putting Indonesia in a position to take part in efforts to draw up any new cocoa agreement when the time comes.

Tanzania tries to renovate threadbare sisal industry

Julian Ozanne describes how a Somerset farmer has offered hope to a decayed farming sector

Tanzania was once the world's biggest sisal producer

FOR MILES and miles as the washed away potholed road heads for the blue-green Uluguru Mountains near Morogoro, the landscape appears one long uninterrupted expanse of wild, lush green bush.

Occasionally, from the bumpy interior of a four wheel drive pick-up truck, it is just possible to make out some sisal plants, their sharp leaves poking through the mangled elephant grass.

Most of the huge sisal estates around Morogoro, some as big as 7,000 acres, are in an appalling state of seemingly permanent decay. Tons of sisal leaf, worth millions of dollars of vital foreign exchange, is being left uncut on the plants overgrown with weeds and grass. Yards are littered with rusting scraps of trailers and canibalised tractors. Many of the working tractors, gifts of western aid, are used as bush taxis and little railways, which once trucked sisal through the estate to the decorticating factories, have deteriorated beyond repair. The antique "Corona" decorticators, which British and Asian sisal barons imported in the 1930s and 1940s, are barely held together with home made spare parts.

"If I called back the British today to look at their former estates I am sure they would laugh at us because we have ruined their estates," former President Julius Nyerere once said.

It was Mr Nyerere's policy of nationalisation, embarked on in the late 1960s, which significantly contributed to the decline of the sisal industry in Tanzania, once the world's biggest producer. Production fell from 230,000 tonnes in 1964 to just 32,000 tonnes last year – 40 to 50 per cent of what was ready in the fields.

Despite buoyant world prices for sisal and economic reform in Tanzania the sisal industry is still beset with fundamental problems. Key among these are shortages of cutters and spare parts for worn out antiquated machinery. In the state-owned estates, run by the Tanzanian Sisal Authority, these constraints are compounded by cash-flow difficulties, scarcity of foreign exchange, low morale and lack of incentive among workers, poor management and centralised marketing and allocation of investment.

While solutions to many of these problems still seem far away a note of optimism has been struck in Tanzania by an ambitious experiment being conducted by the TSA, despite political opposition, with mobile sisal decorticators.

Designed and manufactured by a plucky Somerset farmer, Mr Michael Dobell, the Crane mobile decorticators offer a number of revolutionary innovations to the industry.

Chief among these are its potential to slash costs of production and solve the perennial problem in Africa of maintenance.

The old decortication method, which separates the leaf – about 96 per cent – from the fibre, is based in a central factory. Leaf has to be cut in the field and transported by truck to the factory, which, on big estates, can be several miles away.

The decortication process uses as much as 10,000 gallons of water an hour to help separate the leaf from the fibre, with the waste being washed away, often polluting rivers.

Most of Tanzania's Corona decorticators are in a state of complete disrepair, with ill-fitting spare parts designed and manufactured locally.

At Pangawe estate, near Morogoro, one machine out of three is working but, even in a good week, it only functions for three days. The estate is also faced with an electricity bill of TSh300,000 ($890) a month for running the machine and the water pumps – accounting for about 25 per cent of direct costs.

The Crane mobile decorticator strips the fibre from the leaf in the field without having to use any water. It can be drawn by a 100 horse power tractor and driven by the power take-off shaft producing two to three tonnes a day. The waste left over after decortication is dumped in the field and turns into a mulch after a few months.

The potential savings of mobile decortication are immense, especially in Africa. Transport costs can be slashed as the leaf no longer needs to be taken from the field to the factory. And the whole expense of providing power and water to the corona decorticators is eliminated.

Furthermore, the robust Crane decorticator can be maintained easily with spare parts purchased off the shelf and installed by trained fitters rather than mechanics and engineers.

Mobile decortication also means that for the first time sisal can be grown away from a reliable power and water supply with minimum capital outlay on fixed equipment. The Crane decorticator is sold for about $110,000.

"There is no doubt that this machine can do what it is supposed to do which is decorticate sisal perfectly. Its going to revolutionise the whole industry," said Mr Dobell, who has battled bureaucracy and traditional attitudes in Tanzania to prove his machine.

It is an assesment which the TSA, after a year of trial and experimentation, agree with.

"The fact is that you take a hundred tonnes of leaf to the decorticator, extract four tonnes, pump in 10,000 gallons of water an hour and dump the waste into your rivers. That does not need a lot of arithmetic to convince us of the need for modern mobile decortication," said Mr Salum Shamte, Director of Operations and Marketing at the TSA.

The TSA has taken delivery of 16 of the Crane decorticators as a start of an ambitious rehabilitation programme that aims to push production back up to previous levels. Joint venture agreements and management contracts are being negotiated in both sisal farming and the spinning industry. An Italian company Piacenza is just concluding a $40m deal to take a 30 per cent share in Tanzania's largest spinning factory at Tanga which has been operating at 6.8 per cent of its installed capacity of 60,000 tonnes a year.

At his most optimistic Mr Shamte says Tanzania could produce 1m tonnes of fibre a year to meet the tremendous demand for pulp for the paper industry. He also talks enthusiastically of beginning to look at uses for sisal leaf, currently wasted, for products like industrial alcohol and natural wax and as a commercial product in the pharmaceutical industry.

But given the state of Tanzania's sisal industry and the critical shortage of capital, translating those dreams into reality is going to be a long process. A beginning has been made, however, with mobile decortication.

WORLD COMMODITIES PRICES

MARKET REPORT

ZINC PRICES slid further on the London Metal Exchange yesterday as traders discounted the strike at the Bathurst lead/zinc mine owned by Brunswick Mining and Smelting, a Noranda subsidiary, as a market factor. The cash price closed at $1,691.50 a tonne, adding $24.50 to Monday's $40 fall. Traders explained that the Bathurst strike was having little impact because summer shipments from Arctic Circle mines were available and because continuing labour talks meant there was hope of a settlement at Cominco's Trail lead/zinc smelter. The same considerations applied to lead, which, with the LME contract being denominated in sterling, was also depressed by the strength of the pound. Cash lead closed £8.75 lower at £508.25 a tonne following Monday's £6 decline, switching from a £3.50 premium to a 25p discount against the three months delivery price. An early rally in the copper market wiped out by the close, with cash metal ending £2.50 down on the day at £1,495.50 a tonne. The rise had reflected short-covering encouraged by the announcement of a 3,675-tonne fall in LME warehouse stocks to a 2½-month low of 55,725 tonne.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$13.70-3.80w	+0.15
Brent Blend	$16.00-6.05w	+0.15
W.T.I. (1 pm est)	$16.82-6.84w	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$231-233	-1
Gas Oil	$145-148	-0.5
Heavy Fuel Oil	$82-84	
Naphtha	$143-145	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$361.5	+4.0
Silver (per troy oz)♣	497c	+2
Platinum (per troy oz)	$487.0	-0.4
Palladium (per troy oz)	$118.0	-0.8
Aluminium (free market)	$1525	-5
Copper (US Producer)	119c	
Lead (US Producer)	49c	+1
Nickel (free market)	400c	
Tin (Kuala Lumpur market)	16.08r	-0.27
Tin (New York)	282c	
Zinc (US Prime Western)	87.5c	
Cattle (live weight)†	105.38p	+1.88*
Sheep (dead weight)†	158.90p	+12.1*
Pigs (live weight)†	97.71p	-5.78*
London daily sugar (raw)	$326.1t	+9.0
London daily sugar (white)	$412.0t	+10.5
Tate and Lyle export price	£298.5	+5.0
Barley (English feed)	£109	
Maize (US No. 3 yellow)	£157.5	-0.5
Wheat (US Dark Northern)	£120	
Rubber (Aug)♥	53.50p	-0.25
Rubber (Sep)♥	54.00p	-0.25
Rubber (KL RSS No 1 Jul)	233.0m	
Coconut oil (Philippines)§	$325t	+5
Palm Oil (Malaysian)§	$290	+5
Copra (Philippines)§	$215	-2.5
Soyabeans (US)	£183t	+4
Cotton "A" Index	91.70c	+0.55
Wooltops (64s Super)	480p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jul. t-Jul/Aug. u-Oct/Dec v-Jun/Jul. w-Aug z-Aug/Sep y-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	298.40	297.00	298.20 296.00
Oct	295.00	295.00	296.00 292.80
Dec	300.00	298.00	294.00 284.00
Mar	280.00	281.00	281.80 278.40
May	280.00	281.00	281.20 279.60
Aug	280.00		280.80
Oct	276.00	276.00	277.00 275.00
White	**Close**	**Previous**	**High/Low**
Aug	398.5	400.0	400.0 397.0
Oct	370.0	371.0	372.0 369.0
Dec	362.5	365.0	365.5 362.5
Mar	358.0	360.0	360.5 357.0
May	354.0	357.5	357.0 354.0
Aug	354.5	357.5	355.0 354.0
Oct	343.5	346.0	345.0 344.0

Turnover: Raw 3573 (4886)lots of 50 tonnes. White 1393 (1866)
Paris- White (FFr per tonne): Aug 2205, Oct 2050 Dec 2025, Mar 2010, May 2010

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Aug	15.99	15.87	16.10 15.93
Sep	16.31	16.23	16.42 16.26
Oct	16.60	16.52	16.70 16.60
Dec	16.90		16.90 16.86
IPE Index	16.34	16.24	

Turnover: 9715 (8978)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Jul	144.50	145.00	146.50 143.75
Aug	145.50	145.50	146.50 144.50
Sep	147.00	147.50	148.00 146.75
Oct	150.25	150.75	151.00 149.75
Nov	152.25	152.25	153.00 152.25
Dec	154.50	154.00	154.50 153.75
Jan	154.50	156.00	155.00 154.25
Feb	152.50	151.00	153.00 152.00
Mar	147.00	145.00	147.00 146.00

Turnover 5707 (8082)lots of 100 tonnes

COTTON
Spot and shipment sales for the week ended amounted to 855 tonnes against 415 tonnes in the previous week.

JUTE
July/August c and f Dundee BTC $530, BWC $525, BTD $505, BWD $495; c and f Antwerp BTC $515, BWC $505, BTD $475, BWD $465.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Jul	779	784	786 774
Sep	805	794	813 796
Dec	829	824	840 822
Mar	852	846	860 848
May	872	866	879 865
Jul	894	884	897 888
Sep	914	903	910 905

Turnover: 6297 (6157) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 2 1019.20 (986.64) 10 day average for Jul 3 995.85 (994.70)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Jul	549	539	560 544
Sep	575	565	591 570
Nov	597	586	614 594
Jan	618	608	629 610
Mar	637	623	642 634
May	656	642	660 654
Jul	673	668	

turnover: 4949 (5814) lots of 5 tonnes
ICO indicator prices (US cents per pound) for July 2: Comp. daily 67.01 (66.41). 15 day average 68.59 (68.90)

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Apr	106.5	106.5	109.5 105.1

Turnover 207 (211) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Oct	120.00	119.00	120.00

Turnover 13 (70) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Jul	1005	994	1005 990
Aug	1003	995	1000 993
Oct	1093	1075	1093 1075
Jan	1120	1098	1120 1101
Apr	1124	1100	1105 1102
BFI	1075	1082	

Turnover 191 (136)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Sep	112.30	112.05	112.55 112.30
Nov	116.35	116.25	116.65 116.40
Jan	120.35	120.25	120.65 120.50
Mar	124.15		124.40 124.25
May	127.15		127.25
Jun	128.50		128.50
Barley	**Close**	**Previous**	**High/Low**
Sep	110.50	110.50	110.65 110.50
Nov	114.85	114.95	115.05 114.85

Turnover: Wheat 108 (56), Barley 53 (25).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Sep	115.0	115.0	115.0
Oct	116.0	116.0	115.0
Nov	114.4	113.5	115.0 114.0

Turnover 41 (70) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 8,800 lots	
Cash	1526-7	1530-3	1526	1526-7		
3 months	1554-5	1556-7	1556/1550	1554-5	1554-5	44,218 lots
Copper, Grade A (£ per tonne)					Total daily turnover 21,107 lots	
Cash	1495-6	1497-9	1502/1495	1502-3		
3 months	1458-60	1465-6	1479/1452	1464-5	1451-2	79,839 lots
Lead (£ per tonne)					Total daily turnover 1,574 lots	
Cash	508-8.5	516-8	509/506	506-7		
3 months	508-9	513-4	512/506	506.5-7	504-5	10,152 lots
Nickel ($ per tonne)					Total daily turnover 1,443 lots	
Cash	8650-75	8590-610	8625/8600	8600-25		
3 months	8625-50	8625-30	8625/8550	8625-50	8600-25	8,614 lots
Tin ($ per tonne)					Total daily turnover 463 lots	
Cash	6015-30	6020-30	6025	6025-8		
3 months	6140-50	6145-50	6150/6130	6150-5	6150-60	4,989 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 3,257 lots	
Cash	1690-3	1715-7	1715/1693	1703-5		
3 months	1620-1	1630-3	1636/1615	1626-7	1618-20	18,798 lots

LME Closing £/$ rate: SPOT: 1.7755 3 months: 1.7478 6 months: 1.7196 9 months: 1.6986

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	361¼-361¾	203¾-204¼
Opening	357¼-357¾	201¾-202¼
Morning fix	357.40	201.781
Afternoon fix	362.00	204.231
Day's high	362-362½	
Day's low	357¼-357¾	
Coins	**$ price**	**£ equivalent**
Mapleleaf	369-374	208-211
Britannia	369-374	208-211
US Eagle	369-374	208-211
Angel	369-374	208-211
Krugerrand	361-364	203½-205½
New Sov.	85-87	48-49½
Old Sov.	85-87	48-49½
Noble Plat	492.85-500.65	278.35-282.60
Silver fix	**p/fine oz**	**US cts equiv**
Spot	279.75	495.75
3 months	290.10	505.95
6 months	300.60	516.65
12 months	320.40	538.20

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	July	Sep	July	Sep
1450	84	108		7
1550	1	4	17	38
1650		10	116	105
Copper (Grade A)	**Calls**		**Puts**	
2500	150	132		43
2600	52	77	1	85
2700	1	40	50	147
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
500	78	104	4	8
550	40	67	16	21
600	17	43	40	44
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
750	71	112	17	33
800	42	82	38	53
850	23	58	69	80
Brent Crude	**Aug**	**Sep**	**Aug**	**Sep**
1600				46
1650	13			73
1700		37		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	362.1	358.6	0	0
Aug	364.1	360.8	365.6	360.0
Sep	366.1	362.9	0	0
Oct	368.3	365.1	370.0	364.6
Dec	372.8	369.5	375.0	369.0
Feb	377.4	374.0	378.3	377.6
Apr	381.8	378.3	383.0	378.7
Jun	386.4	382.9	0	0
Aug	390.8	387.4	392.0	392.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	485.1	485.3	489.0	485.1
Aug	488.4	489.7	0	0
Oct	494.4	494.5	497.5	494.0
Jan	500.1	500.2	503.0	501.0
Apr	505.2	505.3	508.0	507.5
Jul	510.6	510.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	491.9	493.5	498.0	492.0
Aug	495.0	497.1	0	0
Sep	499.0	501.0	505.5	498.0
Dec	510.3	512.3	517.0	510.5
Jan	513.5	515.6	0	0
Mar	521.1	523.1	526.5	524.0
May	528.5	530.5	530.0	530.0
Jul	536.0	538.0	541.0	534.0
Sep	543.9	545.9	0	0
Dec	555.2	557.2	558.0	558.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	114.40	114.10	115.80	114.20
Aug	114.10	114.00	114.85	114.05
Sep	113.10	112.90	114.80	112.90
Oct	111.60	112.00	0	0
Nov	110.05	110.25	110.50	110.50
Dec	108.50	108.60	109.90	108.50
Jan	107.00	106.90	0	0
Mar	103.90	103.90	104.75	104.00
Apr	103.05	103.10	0	0
May	101.70	101.90	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Aug	16.86	16.72	16.96	16.75
Sep	17.62	17.42	17.62	17.45
Nov	18.35	18.27	18.42	18.28
Dec	18.57	18.50	18.62	18.51
Feb	18.77	18.76	18.86	18.77
Mar	18.86	18.83	19.05	18.88
Apr	18.95	18.89	19.03	18.90
May	18.95	18.95	19.17	19.00

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	4880	4856	4900	4835
Oct	5095	5080	5110	5060
Nov	5215	5215	5235	5205
Jan	5360	5358	5375	5350
Feb	5310	5323	5340	5310
Mar	5145	5148	5160	5155
May	4870	4878	4890	4870

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1302	1284	1305	1272
Sep	1324	1309	1328	1287
Dec	1365	1342	1360	1320
Mar	1386	1376	1394	1350
May	1406	1402	1394	1380
Jul	1425	1420	1411	1400
Sep	1448	1440	1435	1435
Dec	1464	0	1464	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	88.00	84.15	88.25	85.30
Sep	88.50	86.85	88.70	87.25
Dec	91.65	90.05	92.00	90.50
Mar	94.50	93.30	94.75	93.60
May	96.85	95.00	96.00	96.00
Jul	98.50	97.75	96.00	0
Sep	100.40	100.25	102.50	0
Dec	102.50	100.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	12.57	12.61	12.62	12.56
Oct	13.28	13.26	13.29	13.10
Mar	12.62	12.68	12.67	12.54
May	12.59	12.62	12.63	12.53
Oct	12.47	12.48	12.48	12.43

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	89.80	87.87	89.80	88.00
Oct	80.05	79.25	80.15	79.35
Dec	75.78	75.23	75.84	75.25
Mar	76.15	75.56	76.20	75.70
May	76.41	75.64	76.40	75.75
Jul	76.38	75.57	76.40	75.70

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	190.60	190.40	190.80	189.25
Sep	177.35	177.65	178.00	177.25
Nov	168.15	167.80	168.25	167.25
Jan	160.75	160.50	161.25	160.50
Mar	160.35	160.20	160.55	160.50
May	159.90	159.70	0	0
Jul	159.90	159.70	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jul 3	Jul 2	mnth ago	yr ago
1856.0	1852.4	1691.6	1993.4

DOW JONES (Base: Dec. 31 1974 = 100)

	Jul 2	Jun 29	mnth ago	yr ago
Spot	133.20	132.67	132.46	132.90
Futures	133.30	132.45	131.73	131.37

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	648/4	646/0	651/0	641/0
Aug	656/0	653/0	657/6	647/6
Sep	663/6	658/6	664/2	656/0
Nov	676/4	672/0	677/4	667/0
Jan	687/2	682/6	688/0	678/4
Mar	699/0	694/4	699/0	689/4
May	707/0	703/4	707/0	698/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	25.62	25.67	25.75	25.28
Aug	25.28	25.61	25.75	25.08
Sep	25.18	25.55	25.60	25.00
Oct	25.15	25.45	25.50	24.90
Dec	25.15	25.28	25.35	24.80
Jan	25.00	25.15	25.10	24.67
Mar	24.75	25.00	24.75	24.60
May	24.76	24.90	24.77	24.60

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	190.7	187.1	191.0	186.7
Aug	192.2	188.7	192.4	188.3
Sep	194.1	190.6	194.3	190.6
Oct	196.5	192.8	196.5	192.7
Dec	200.3	197.1	200.5	196.5
Jan	201.5	198.7	201.5	199.0
Mar	203.5	202.0	203.5	200.2
May	205.2	202.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	294/2	296/2	295/2	292/6
Sep	290/2	290/2	292/0	288/6
Dec	290/4	290/2	292/4	288/6
Mar	296/0	296/2	298/2	294/4
May	300/0	300/4	301/6	298/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	323/4	328/4	327/4	333/0
Sep	330/2	332/2	333/4	330/0
Dec	345/6	347/4	349/0	346/0
Mar	356/0	354/2	358/2	354/0
May	353/4	350/0	358/0	350/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	72.77	72.80	73.05	72.55
Oct	75.25	75.30	75.40	75.00
Dec	75.02	75.32	75.80	74.95
Feb	75.05	75.22	75.25	74.90
Apr	75.97	76.15	76.15	75.80
Jun	73.02	73.15	73.10	73.00

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	61.67	61.27	61.75	60.77
Aug	58.72	59.17	59.20	58.15
Oct	53.62	54.05	54.95	53.17
Dec	52.62	53.00	53.05	52.40
Feb	50.00	50.05	50.10	49.45
Apr	46.90	47.12	47.10	46.65
Jun	50.02	50.00	50.15	49.80

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	57.67	59.67	59.70	57.67
Aug	55.77	57.77	57.80	55.77
Feb	54.85	56.00	56.10	54.05
Mar	54.97	55.12	55.12	53.40
May	54.70	56.20	54.70	54.50

LONDON STOCK EXCHANGE

Early gains lost in nervous session

A FRESH flurry of optimism for early British entry into the European Exchange Rate Mechanism soon died away yesterday, and UK equities recorded another uninspiring trading session. Some UK press reports had claimed that the president of the Bundesbank had suggested that UK entry into the ERM might come sooner than currently expected, and equities were encouraged at first when sterling opened sharply higher. However, the firmness in sterling failed to shield equities later when government bonds turned lower.

Trading volumes remained unconvincing, with inter-dealer business still making up a high proportion of the Seaq totals. The equity sector continued to reflect the nervousness over the near term outlook expressed at the end of last week by strategists at several leading securities houses.

Account Dealing Dates

*First Dealings:		
Jun 25	Jul 9	Jul 23
Option Declarations:		
Jul 5	Jul 19	Aug 2
Last Dealings:		
Jul 6	Jul 20	Aug 3
Account Day:		
Jul 16	Jul 30	Aug 13

*New-time dealings may take place from 8.30 am two business days earlier.

Once again, the market traced an uncertain path, opening uncertainly but moving ahead as the pound strengthened and showing a gain of 9 Footsie points at best. But the lack of support from the institutions left share prices vulnerable to the fall in Gilt-edged securities, and ERM speculation was dampened by the response from Mrs Thatcher, the UK Prime Minister, to a parliamentary question.

The equity market went into reverse and was down by 5.9 Footsie points before steadying with the help of a firm opening on Wall Street, which gained 13 Dow points in London trading hours.

At the close, the FT-SE Index was a mere 0.3 off at 2,371.7. Seaq volume increased to 449.9m shares from Monday's 310.7m, but dealers stressed that genuine retail business had been thin. Statistics from the International Stock Exchange show that daily retail business in equities has fallen back again to well below the £1bn mark regarded as the benchmark of a viable market from the point of view of the London marketmakers. Concern over the financial health of London-based securities firms has inevitably resurfaced as trading volumes have fallen away after the brief revival in May and June.

The concern over corporate profits which has been disturbing the stockmarket for some weeks found no relief yesterday. Annual results from GEC, the electrical group, were at the lower end of the market range and found an uninspiring reception. The fall of around two thirds in profits at GEC's consumer goods divisions dealt a further blow to confidence in the market's retail sectors, which were also hurt by a warning on profits from Budgens, the UK food retailer. Burton, the retail tailoring group which started the latest slide in consumer stocks with the disclosure last week that sales were falling, remained under selling pressure.

FINANCIAL TIMES STOCK INDICES

	July 3	July 2	June 29	June 28	June 27	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	79.39	79.80	79.97	79.89	80.02	85.74	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.05	88.19	88.22	88.19	88.42	98.82	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1894.7	1896.6	1899.9	1887.8	1902.6	1800.3	1968.3 (3/1)	1653.6 (30/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	181.3	182.6	176.8	176.1	174.5	196.5	378.5 (6/2)	157.9 (15/6)	734.7 (16/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2371.7	2372.0	2374.6	2365.7	2373.5	2174.4	2463.7 (3/1)	2103.4 (30/4)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.88	4.88	4.87	4.91	4.87	4.46				
Earning Yld %(full)	10.78	10.76	10.75	10.83	10.75	10.49				
P/E Ratio(Net)(☆)	11.24	11.26	11.27	11.19	11.27	11.50				
SEAQ Bargns 4.45pm	23,823	22,505	23,661	22,288	22,444	22,879				
Equity Turnover(£m)†	-	963.07	783.76	761.42	734.86	1118.90				
Equity Bargains†	-	22,342	22,587	21,924	21,378	26,145				
Shares Traded (ml)†	-	283.9	343.3	373.2	327.6	4363.0				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 11.12

Ordinary Share Index, Hourly changes — Day's High 1903.7 — Day's Low 1889.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1896.6	1897.7	1900.3	1902.6	1897.8	1894.0	1894.4	1890.4	1892.2

FT-SE, Hourly changes — Day's High 2381.0 — Day's Low 2368.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2374.0	2371.9	2375.8	2379.2	2375.9	2371.7	2371.8	2368.3	2369.1

GILT EDGED ACTIVITY

Indices*	July 2	June 29
Gilt Edged Bargains	92.2	89.7
5–Day average	100.8	107.1

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

Regrade hurts Woodrow

A FORECAST from Robert Fleming Securities that 30 years of uninterrupted profits growth at Taylor Woodrow, the construction group, will be halted during the current year, caused a sharp retreat by Taylor Woodrow shares which eventually closed 10 off at 282p.

Mr Peter Jensen of Flemings lowered his forecast of pre-tax profits for the year to end-December from £117m to £105m; last year the company achieved pre-tax profits of £116.9m.

Mr Jensen said he was "concerned that Taylor Woodrow won't achieve enough property sales to keep profits ahead in a very difficult market."

The Flemings analyst described Taylor shares as a "trading sell," but added that he remained positive on the company over the longer term.

Earlier in the session there had been speculation that Laing & Cruikshank had downgraded their Taylor forecast; "Not so," said Laing & Cruikshank. It was also said that one of Taylor directors had sold some shares in the company.

Budgens setback

Budgens fell 16 to 60p after it announced that profits in the second half of last year would be below market expectations. It also said there would be a "significant" exceptional item for the full year to cover the start-up costs at its new distribution centre at Wellingborough.

Before the announcement, analysts had forecast profits for the full year, excluding property, of around £10m. Those estimates have now been reduced to about £3-4m. Property profits will add £9m, giving total profits this year of £12m, just below the comparable figure for last year.

Explaining the announcement, one analyst said: "This all stems from the introduction of the new grocery warehouse. It has doubled running costs and led to problems in stock control and delivery. It has also had a significant impact on sales and margins."

However, Budgens' commitment to maintain a final dividend should support a yield of 11 per cent. "It's the only support Budgens' share price has at the moment," one observer commented.

Royal strength

News that shares in German insurance group Aachener und Munchener (AMB) had been suspended on the Frankfurt market ahead of details of a proposed rights issue triggered a flurry of activity in Royal Insurance, the UK composite insurance group, which has a 20 per cent stake in the German company.

Specialists said the terms of the AMB rights issue were pitched at around double the price ruling on the Frankfurt market ahead of the suspension, and had been underwritten by Italian insurance group La Fondiaria which could end up with a 5.8 per cent holding in AMB.

"Effectively, the rights issue revalues Royal's stake which was worth some £300m and will now be worth considerably more," noted one analyst. Royal shares raced up to 503p at one point before easing back to end the session a net 3 higher at 494p; turnover reached 1.9m shares.

Lonrho had another good day with the issue of a Eurobond adding to the unrelenting rise in the price of rhodium to shore up the shares.

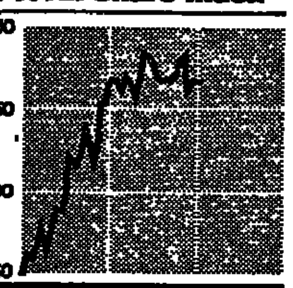
The Eurobond was unusual in that it was issued in dollars with equity warrants attached. The coupon of 6¾-6⅞ per cent would allow the company to retire some more expensive debt, said analysts. Nomura, which is also lead manager on the bond issue, added £1m to its profits forecast for Lonrho as a result of the interest savings.

Rhodium, which is related to platinum and is similarly used in catalytic converters for pollution control in motor vehicles, broke through the $7,000 an ounce level yesterday. It was trading at $3,000 an ounce less two months ago. The rhodium market was transformed in November 1989, when the price was $1,300 an ounce, after production problems at a refinery in South Africa. Analysts said that increased output from Lonrho's Western and Eastern Platinum operations would take up much of the shortfall.

Johnson Matthey, the metal refiner and trader, rose 5 to 285p, while shares in companies set to benefit from spending on environmental matters also had a good day. Caird rose 3 to 218p, Rechem jumped 20 to 570p and Leigh Interests firmed 5 to 354p.

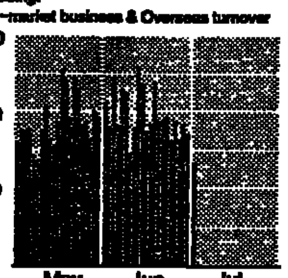
A profits downgrade by James Capel upset Legal & General which slipped 10 to 424p on turnover of 2.1m shares. Mr Alan Richards, life assurance analyst at Capel, reduced his 1990 forecast of pre-tax profits by £8m to £123m, around the very bottom of the range of analysts' forecasts, citing the recent strong performance of sterling against the US and Australian dollars. He also mentioned that life assurances have outperformed the market on a one-month, three-month and twelve-month basis – enough for now, said Mr Richards.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Apart from Legal & General, the rest of the life stocks were left with widespread falls. Prudential, boosted recently by vague talk that the biggest of the UK life companies could attract a bid from a Continental insurance group, eased 3 to 233p after turnover of 3.3m shares.

Lloyd Thompson, the insurance broker, remained a firm market, edging ahead to close at 305p; the stock is to be included in the FT Actuaries indices.

The leading oils were little changed on balance despite crude oil prices moving ahead yesterday to close around 5 cents a barrel higher on the day. County NatWest took BP and Shell off their sell list – "We believe oil prices have little further to fall and that they could increase significantly during the second half," said County. BP held around 318½p and Shell slipped 2 to 453p.

But Smith New Court remain cautious on the oil sector; "In the first quarter the oil companies were getting £11.80 a barrel for their oil, now they are getting £9 a barrel; there is scope for further downgrades," said Mr Steve Turner at Smith.

Burmah advanced strongly to close 15 up at 647p as the market reappraised the moves announced on Monday. "Effectively Castrol has taken over from Burmah, and it is hugely positive," said Mr Philip Lambert at Kleinwort Benson.

Severn Trent was the focus of attention in the water stocks as a block of 3.4m shares traded in mid-morning. The shares settled a net 2 off at 140p.

BZW changed its recommendation on BOC from hold to sell and the shares fell 19 to 585p. The broker suggested investors take profits after news of disappointing third quarter trading.

Monday's profit warning from Smith Corona of the US hurt Hanson, which slipped 5 to 234p. Smith Corona, 48 per cent owned by Hanson, said it expected to report a small loss for the fourth quarter ending June 30.

Rises in both Pearson and Reuters were exaggerated by thin trading. "Nobody wants to be on the offer when they're rising," said one trader. Pearson firmed 14 to 785p and Reuters added 20 at 1285p. Turnovers were 474,000 and 397,000.

The food retailing stocks were unmoved by the news from Budgens. Asda was unchanged at 114p and turned over 3.9m, while Argyll added a penny at 249p on 3.5m.

A B Foods gained 8 to 403p on talk that a major securities house had been bidding for stock throughout the session.

Ranks Hovis McDougall ended 1 firmer at 355p, having traded up to 371p at one stage on suggestions that Nestlé may be interested in acquiring its breakfast cereal division.

Berisford International weakened in further reaction to Tate & Lyle's decision to withdraw from a possible bid for the commodity and property group. Berisford fell 9 to 91p and Tate rose 7 to 306p.

Stores had a bruising day. The blows came from another profit warning, from food retailer Budgens, a long line of Burton stock said to have been on offer, and adverse comment on Ratners' rights issue and acquisition announced on Monday. Mr Paul Deacon at Goldman Sachs said the sector was also unwinding after its firm performance in recent weeks, which had been sparked by hopes that sterling would make an early entry into the ERM.

Burton's retreat, following last week's warning on the state of its retail side, showed no sign of slowing. Sentiment was hurt by stories that a line of 40m shares, more than 7 per cent of the company, was on offer in the market. Traders asserted, however, that there was no single stakeholder of that size, while one marketmaker mentioned as the seller said he had not offered more than 250,000 at any one time yesterday.

Burton recovered from the day's low of 103p to close at 107p, still a net decline of 10.

Ratners went ex rights, but that only accounted for some 8 of the day's fall of 23 to 241p. The shares had been as low as 236p, dogged by pessimistic press comment on the prospects for its acquisition of Kay Jewelers of the US. Traders said that both the stock and the nil paid had rallied just before the close.

A disappointing response to Body Shop's rights issue undermined sentiment there. Valid applications were received for only 17.65 per cent of the issue and the shares lost 20 to 400p.

Analysts reported a cautious mood at Sears' annual meeting yesterday. Sears fell 5 at one point and recovered slightly to close at 93p, down 3 on the day.

In such a gloomy mood, other stores were also dragged lower. Argos shed 3 to 230p, Next slid 4 to 44p and W H Smith gave up 5 to 343p. Even the defensive Marks and Spencer was trading 2½ cheaper at one point. It recovered before the close to 237p, a fractional improvement on the day.

One small source of light was Laura Ashley. The stock continued to benefit from Monday's disposal of capital and trade marks of Penhaligon's, a supplier of perfumes, toiletries and accessories, for about £6.5m. The shares firmed 2 to 53p.

Blue Circle Industries dropped 9 to 242p after Shearson Lehman Hutton told clients to switch out of the stock and into the new £90m convertible capital bond issue which yields some 10½ per cent; "A staggeringly cheap issue and a perfect opportunity to switch," said Mr William Beavington at Shearson.

Preliminary figures from GEC were generally well received by the market which lifted GEC shares 6 to 203p on big turnover of 12m.

Some analysts were not so enthusiastic. Mr Patrick Wellington at County Nat West described the figures as "not terribly good; take into account that the acquisitions made £33m and the underlying profit at GEC's businesses actually fell over the year." The County analyst, who lowered his current year forecast by some £40m to £950m, said interest receivable would drop over the year – he forecast down from £180m to £130m – because of the acquisitions.

Telecoms drew heavy support with more broking firms joining the list of big buyers of the sector.

Cable & Wireless, still boosted by the James Capel buy note and rated one of Shearson Lehman's top ten buys, moved up 6 more to 558p while British Telecom gained 7 to 309p, on turnover of 14m, after big demand for the traded options and heavy US support.

Racal Telecom, after the Goldman Sachs and Smith New Court recommendations, which were complemented by numerous other buy notes, put on 7 more to 373p.

Racal Electronics added 5 at 207p.

Both Glynwed and Alumasc, Britain's biggest beer barrel maker, fell as the former abandoned its £34m bid for the latter. The attempted takeover had been referred to the Monopolies and Mergers Commission on June 13. The bid lapsed on June 27. Alumasc shed 28 to 205p while Glynwed eased 12 to 286p.

■ Other Market statistics, including the FT-Actuaries share index, Page 25

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (82).
BRITISH FUNDS (4) BUILDINGS (8) CHEMICALS (4) STORES (2) ELECTRICALS (3) ENGINEERING (4) FOODS (8) INDUSTRIALS (15) Alexandra Workwear, Amer. Business Systems, BET, Baird (Wm), Campbell & Armstrong, Gestetner, Goode Durrant, Huntingdon Intl., Proudfoot (A), RCO, Robertson, Sharks & McEwan, Stat-Plus, Sterling Inds., Wassall, INSURANCE (1) LEISURE (1) NEWSPAPERS (1) SHOES (1) TEXTILES (2) TRUSTS (9) OILS (1).

NEW LOWS (68).
AMERICANS (15) CANADIANS (1) BANKS (1) BUILDINGS (3) CHEMICALS (4) STORES (8) ELECTRICALS (1) FOODS (2) INDUSTRIALS (8) Cahill May Roberts, Chestergate, Macarthy, Melville, Norton, Platignum, Stonehill, Whitegate Leisure warrants, INSURANCE (5) LEISURE (1) MOTORS (2) PAPERS (3) PROPERTY (1) SHOES (1) SOUTH AFRICANS (2) TRANSPORT (2) TRUSTS (4) OILS (1) PLANTATIONS (1) MINES (5) THIRD MARKET (1).

APPOINTMENTS

Senior posts at Anglian Water

■ Mr Alan Smith has been appointed group managing director of ANGLIAN WATER, and becomes chairman of Anglian Water Services, Anglian Water Commercial Developments, and remains chairman of Anglian Water Engineering and Business Systems. Mr Andrew Semple becomes vice chairman of Anglian Water with special responsibility for external relations. Mr Chris Mellor has been appointed group finance director.

■ Mr Derek O. Purssell has been appointed a director of CAMERON RICHARD AND SMITH INSURANCE SERVICES.

■ FIRST INTERNATIONAL GROUP has appointed Mr Malcolm Savage as managing director of First International Capital from July 1. He, together with Mr William W.R. Syson and Mr Geoffrey H. Dodsworth, also join the board of First International Leasing Corporation, Bermuda, as directors.

■ HALMA has appointed Mr David Glasspole as managing director, Thames Side Scientific Co; Mr Mike Smith as managing director Smith Flow Control; and Mr Robert Maillott as directeur general of S.E.R.V. Trayvou Interverrouillage.

■ Mr Geoffrey L.A. Galitzine has been appointed director - fund management, and joins the executive committee, at THE PRIVATE BANK & TRUST CO. He was a senior executive, institutional sales, at James Capel.

■ Mr Philippe S.E. Schreiber has been appointed managing director of OWL CREEK INVESTMENTS succeeding Mr Andrew E. Nicholson who has left the company.

■ The Laaser Co, West Berlin, has appointed Mr Eric Newbegin to head LAASER U.K., a subsidiary newly-formed to market the Earl range of flow and level control equipment.

■ Mr John Crabtree has been appointed a non-executive director of the RICHARDS GROUP, Birmingham engineers. He is a partner with Wragge & Co, solicitors.

■ Mr Victor J. Steel, executive director of Kingfisher, has been elected president of the INCORPORATED SOCIETY OF BRITISH ADVERTISERS.

■ 3i has appointed as a director Mr Mike Piper, head of the Watford office.

■ Mr L.E. Izzard, production director, has been promoted to managing director of THE COLCHESTER LATHE CO, part of The 600 Group. He succeeds Mr M.J. Bradford who has resigned.

■ Mr John Avery has been appointed deputy Parliamentary Commissioner for Administration (OMBUDSMAN). He was director of investigations, and succeeds Mr Donald Allen who has retired.

Mr Alan Winter *(pictured)*, who joined the board of LEGAL & GENERAL PROPERTY ten months ago, has been appointed senior director responsible for the strategic direction of the £2½bn life fund. He was an associate of Hillier Parker.

■ Mr Richard J. Steele has been appointed group finance director of LLOYDS CHEMISTS. He was group finance director of Midsummer Leisure.

■ NORTON MOTORS, rotary engine division of Norton Group, has appointed Mr David Morris as marketing director, engine division. He joins from Pilkington Optronics.

■ UNIGROUP has appointed Mr Jeremy Owen as chief executive. He has been acting chief executive since April, when he joined the group.

■ GROSVENOR VENTURE MANAGERS, adviser to Grosvenor Development Capital, has appointed Mr Ray Thomas as finance director and company secretary. He was director of control and administration, BP Minerals International.

■ SWISS BANK CORPORATION has appointed Mr Richard Warr as a director and head of European equity sales at its London office from July 30. He was European equities salesman at Schroder Securities.

■ BARCLAYS DEVELOPMENT CAPITAL has appointed as directors Mr Mike Ransom, Mr Bryan Smith, Ms Lucinda Horler, Mr Tony Lamb and Mr Graeme White who joins from 3i.

■ Mr Colin Millbanks has been appointed chief executive of PARCELINE. He was vice president, Federal Express, UK and Ireland. Mr Robin Davies has been appointed general manager, commercial and marketing.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

CANADIANS

Continued on next page

LONDON SHARE SERVICE

BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
303	209	ANZ SA1	223	+1	44c	1.4	8.9	8.0
214	172	Abbey National 10p.	211	−3	5.7	4.3	3.6	8.6
*274	210	Allied Irish Ord.	225	−1	Q40%	3.3	4.2	9.7
£13⅛	£11½	Algemene Fl.10	£11½	......	Q28%	2.1	7.7	6.1
85	63	Anglo Irish	65	......	♦Q18.7%	2.7	6.8	8.9
83	68	Ansbacher (H.) 1p.	82	......	2.5	1.3	4.1	23.6
£71½	£54½	Bancaire Cie Fr100	£62	+¼	bQ12¼%	–	2.1	–
£22¾	£16½	Banco Bilbao Viz.	£19¼	......	Q49.1%	2.7	4.4	12.5
£31	£24½	Banco de Santander	£28¼	......	Q25%	2.4	4.0	10.5
286	224	Bank Ireland Ir£1	246	−1	Q14.7%	2.9	5.6	8.2
£19½	£18	Bank Leumi	£19½	......	–	–	–	–
350	320	Bank Leumi (U.K.)	345	......	†13.5	–	4.9	–
125	104	Bank Scotland	118	......	4.55	3.3	5.1	7.8
100¼	83¾	Do. 9¼pc Irrd Pf.	95	−1	9¼%	–	13.0	–
54	39	Bank of Wales	52	......	2.8	0.8	7.2	(25.0)
428	352	Barclays £1	389xr	−2	h19.57	3.5	6.7	5.4
22	12	Benchmark 20p.	14	......	1.63	1.0	15.5	8.0
335	310	Brown Shipley £1	313	......	12.0	2.2	5.1	10.1
*435	341	Cater Allen £1	374	−11	N24.5	♦	8.7	♦
179	114	Chancery	114xd	......	9.0	2.7	10.5	4.6
£23¼	£18¾	Commerzbk DM10	£19¾	......	Q18%	–	3.4	–
£13½	842	Dai Ichi KBk Y50	885	−14	Q17%	♦	0.4	♦
*£313¾	£261	Deutsche Bk DM50	£276¾	−1¼	Q28%	–	1.8	–
£20¾	£18½	Espirito Santo	£18½	......	Q75c	5.1	2.4	–
253	183	First Nat. Fin. 10p.	199	−11	13.0	2.4	8.9	6.0
121	96	FNFC 6.3pc Cr. Pf.	101xd	−5	6.3%	–	8.3	–
£13½	968	Fuji Bank Y50	985	+7	Q17%	♦	0.3	♦
325	262	Gerrard & National	303	−5	19.0	♦	8.4	♦
154	122	Guinness Mahon 10p	122	......	2.1	–	2.3	–
328	223	Hambros 20p.	270xd	......	11.5	–	5.7	–
128	93	Do. 7.5pc Cr Pf.	114	+1	7½%	–	8.8	–
53½	42	HK & Shang. HK$2.50	43½	+½	hQ36c	–	6.6	–
478	458	Joseph (Leo) £1	463	......	15.85	–	4.6	–
150	126	King & Shaxson 20p.	142	−1	10.25	♦	9.6	♦
422	340	Kleinwort Benson Grp.	363	+4	16.0	2.5	5.9	9.2
642	402	Kyowa Bank Y50	443xd	−5	Q14%	♦	0.6	♦
312	242	Lloyds £1	280	......	13.3	2.6	6.3	6.6
56	44	Lon. Scot. Bank 10p.	52xd	......	†2.4	1.9	6.2	10.3
404	271	Midland £1	289	+2	18.0	2.6	8.3	6.0
£14½	£10⅞	Mitsubishi Bank Y50	£10⅞	......	Q17%	♦	0.3	♦
£12¼	£6⅞	Mitsubishi Tst & Bk Y50	£7	......	Q17%	♦	0.5	♦
£10½	£7⅞	Mitsui Bank Y50	£8⅛	−⅛	†Q16%	6.0	0.4	46.2
904	558	Mitsui Tst & Bk Y50	598xd	−6	Q17%	♦	0.5	♦
326	279	Nat Aust. Bk. A$1	291	+2	sQ50c	1.6	7.8	8.0
368	299	NatWest £1	320	......	16.7	3.3	7.0	5.8
£210	£185	Ottoman Bank	£185	......	Q110%	2.8	5.9	6.0
55	39	Rea Bros. Group	46	+1	0.5	3.4	1.4	22.0
200	147	Rothschild (J) Hldgs.	151xd	−1	10.0	1.1	8.8	13.1
227	149	Royal Bk. Scotland	174	−1	†7.2	3.8	5.5	6.1
795	424	Saitama Bank Y50	500xd	−2	Q14%	♦	0.5	♦
£12¼	800	Sanwa Bank Y50	888	−45	Q17%	♦	0.4	♦
902½	712½	Schroders £1	795	−5	h12.5	5.9	2.1	10.7
712½	537½	Do. £1 N/V	588	−5	h12.5	5.9	2.8	7.9
£25¼	£20⅝	Sec. Pacific $10	£20⅞	−⅛	Q$1.96	–	5.3	–
616	454	Standard Chartd. £1	462	−2	35.0	1.4	10.1	(8.7)
£16¼	£8⅞	Sumitomo Bank Y50	£8¾xd	−⅛	♦Q16%	7.5	0.3	41.7
£11	£6⅝	Sumitomo Tst & Bk Y50	£6⅝xd	−⅛	Q17%	♦	0.5	♦
147	121	TSB	136	......	†5.8	2.5	5.8	8.6
175	126	TSB Bank Cv'ed Is'1	157	......	†06.7	3.5	4.3	7.8
£11⅛	£5⅞	Tokai Bank Y50	£6⅜xd	−⅛	Q16%	4.1	0.5	50.4
920	605	Toyo Tst & Bk Y50	670xd	−7	♦Q15.2%	6.9	0.4	32.2
611	532	Union Discount £1	599	−1	33.0	–	7.3	–
525	398	Warburg (S.G.)	422	+2	15.0	3.8	4.7	7.4
180	133	Do 6pc Cnv Prf.	145	......	6%	–	5.5	–
279	204	Westpac $A1	212	......	Q52.5c	1.5	11.6	5.6
420	373	Wintrust 20p.	383	+3	†7.8	–	2.7	–
969	574	Yasuda Tst & Bk. Y50	679xd	−15	Q17%	♦	0.5	♦

Hire Purchase, Leasing, etc.

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
355	173	Anglo Grp. 10p.	173d	......	5.5	4.4	4.3	5.5
£128½	£74½	Do. 9½pc 1999	£74½d	......	Q9½%	–	12.8	–
175	90	CLF Yeoman 50p.	90	−3	Q18.5%	3.2	10.1	4.1
71	60	Cambridge Grp Ir5p.	70	......	Q7½%	♦	0.5	♦
55	32½	♦Capital Leasing Ir10p.	36	......	†Q12%	3.5	3.1	8.4
68	50	Cattle's (Hdgs) 10p.	61	......	3.58	1.9	7.8	8.8
426	367	Prov. Financial	423	......	20.5	2.0	6.5	10.2
235	198	♦Reflex Invs. Ir5p.	198xd	......	Q51.0%	♦	1.2	♦
225	199	Secure Trust Grp. 1p.	210	−2	8.5	2.4	5.4	10.4
210	178	Woodchester IR20p.	200	......	Q16.7%	5.9	1.6	14.1

BEERS, WINES & SPIRITS

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
520	408	Allied-Lyons	504	+1	16.95	2.2	4.5	11.6
£26¾	£20½	Anheuser-Busch $1	£24½	−½	72c	–	1.5	–
1128	895	Bass	1096	−4	†28.2	3.5	3.4	10.9
170	131	Boddington	157	......	5.1	2.3	4.3	13.2
199	161	Bulmer (H.P.) 5p.	179	......	†6.95	1.4	5.2	17.6
227	183	Burtonwood Brewery	183	−1	3.55	2.5	2.6	20.5
400	290	Clark (Matthew)	325	......	†13.0	2.8	5.3	9.1
286	163	Devenish (J.A.) 5p.	174xd	......	†4.65	3.1	3.6	10.7
225	120	Do 4.5pc Cr 2ndPf.	129	......	4½%	–	4.8	–
167	123	♦Eldridge, Pope "A" 50p	144xd	......	4.1	2.3	3.8	13.7
400	335	♦Fuller, S.T.A.	368	......	†4.45	4.4	1.6	17.1
681	533	Grand Metrop. 50p.	658	+6	†17.75	2.8	3.6	11.3
361	295	Greenall Whitley	356	+2	†8.7	2.9	3.3	13.5
172	139	Do. 5.95pcCvPf£1	167xd	−1	5.95%	–	4.8	–
420	314	Greene King	380	......	†8.7	3.6	3.1	11.6
806	633	Guinness	792	−2	15.3	3.0	2.6	15.4
221	172	Do. 5¾pc Cnv Prf.	216	−1	5.75%	–	3.5	–
£267½	£210½	Do 8¾pcCrLn.	£262½	−1	Q8¾%	–	3.1	–
253	202	Highland Dists. 20p.	229	......	†3.85	2.7	2.3	21.4
153	132	Invergordon Distillers 10p.	150	−1	b5.0	2.3	4.4	13.2
825	583	Macallan-Glenlivet	588	+5	1.06	6.9	0.2	79.4
463	380	Macdonald Martin 'A' 10p.	450	−13	6.4	♦	1.9	♦
480	375	Mansfield Brewery	417	......	11.3	♦	3.7	♦
222	159	Marston Thompson	195	......	4.02	♦	2.8	♦
428	395	♦Merrydown Wine	428	......	†b5.78	3.5	1.8	20.9
405	335	Morland	339	......	†b5.13	4.1	2.0	14.5
361	278	Scott & New 20p.	349	+1	13.0	q2.0	5.2	11.3
£57¾	£42¾	Seagram	£47	......	US$1.40	–	1.8	–
329	200	Vaux Group 10p.	236	......	†d7.84	2.2	4.4	13.1
462	360	Whitbread 'A'	447	+1	14.8	q2.4	4.4	11.8
79	61	♦Wiltshire Brewery 5p.	70	......	L1.5	–	2.9	–
430	339	Wolv. & Dudley	425	......	N9.0	3.8	2.8	13.5
495	460	Young Brew 'A' 50p.	465	......	11.5	2.0	3.3	20.1
415	370	Do. Non. V. 50p.	375	......	11.5	2.0	4.1	16.2

BUILDING, TIMBER, ROADS

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
504	385	AMEC 50p.	425	−4	19.0	3.8	6.0	5.8
125	95	Do. 6½p Cm Cr Pf.	107	−2	6½%	–	8.3	–
130	70	Abbey	100	......	26.8%	4.1	8.5	3.8
363	198	♦Albrighton	215xd	+5	7.0	1.7	4.3	11.8
116	82	♦Allen 5p.	98	......	4.8	♦	6.8	♦
159	118	♦Amco Corp.	122	......	–	–	–	–
132	64	Anglia Sec 10p.	64	......	‡2.0	0.2	‡	–
155	138	Arncliffe 10p.	148	......	6.75	5.9	6.4	3.5
285	213	♦Ashtead Group 10p.	237	−1	†2.5	8.5	1.4	10.2
*509	377	Attwoods 5p.	509xr	+6	†q8.0	2.3	2.1	(24.5)
128	121	♦BMSS 10p.	121	......	4.38	3.5	4.8	7.4
263	205	BPB Inds. 50p.	225	−2	11.25	q1.9	6.9	9.3
144	91	Baggeridge Brick	111xd	+2	3.13	4.2	3.8	8.4
71	40	Bailey (Ben) 10p.	46	−2	b1.9	6.8	5.5	3.6
127	97	Baldwin 10p.	99	+2	2.55	4.0	3.4	9.6
180	135	♦Ball (A.H.) 5p.	140xd	......	6.75	♦	6.4	♦
51	21	♦Banner Homes 10p.	21	......	‡2.8	3.9	‡	1.9
216	165	Barratt Dev. 10p.	187	−4	13.39	2.0	9.5	6.9
178	130	Beazer 10p.	161	−1	†7.5	4.2	6.2	5.0
217	164	Bellway	216	......	11.0	4.0	6.8	4.9
41	15	Bellwinch 10p.	16	+1	‡3.75	1.8	‡	♦
219	142	Berkeley Group	215	−2	4.5	♦	2.8	♦
142	123	Bett Bros. 20p.	125	......	†5.8	3.2	6.2	6.7
154	128	Birse Group 10p.	154	+1	L4.25	2.2	3.7	11.2
155	105	Blockleys 20p.	130	+2	4.81	2.9	4.9	9.3
271	163	Blue Circle 50p.	242	−9	11.0	2.5	6.1	8.2
141	108	Do. 7⅝pc Cr Rd Pf.	129	−5	7⅝%	–	7.9	–
468	433	Boot (Henry) 50p.	468	......	21.0	2.5	6.0	9.0
125	98	Breedon	115	+2	4.25	2.2	4.9	12.5
355	355	BB & EA	355	......	‡4.0	6.6	‡	13.4
165	124	British Dredging	143	......	7.0	2.1	6.5	9.8
129	75	Bryant Group	97	......	4.8	3.5	6.6	5.8
121	115	♦Bucknall Austin 1p.	121	+3	4.8	♦	5.4	♦
115	88	CALA 5p.	99	......	†3.3	5.2	4.7	5.4
34	22	♦CCS Group 20p.	24	......	0.55	1.9	3.1	18.3
286	252	CRH	272	−1	Q28%	3.7	2.4	14.9
83	70	Cakebread Robey 'A'	78	......	2.7	0.6	4.6	45.4
172	109	Colroy 10p.	137	......	†7.5	3.8	7.3	4.8
182	58	Conder Group 5p.	83	+1	b3.2	5.1	5.1	5.1
103	73	♦Cooper Clarke Grp. 10p.	83	−2	a4.5	1.9	7.2	6.7
110	35	Cupson (F.) 5p.	54	−1	†q4.0	2.3	9.9	4.9
318	229	Costain Group	279	−7	12.25	1.6	5.9	13.0
231	159	Countryside Props.	176	......	†4.0	9.2	3.1	4.7
217	141	Crest Nichol 10p.	146	−3	7.65	3.7	7.1	5.1
85	56	Do 5½pc Cv.Cm.Rd.Pf.	62	......	5½%	–	11.8	–
37	20	Creston 10p.	22	−1	†1.7	1.2	10.3	9.6
103	70	Crosby (James) 10p.	108	+2	3.75	♦	5.1	♦
51	31	Dencion Tyson 10p.	41xd	−1	0.75	♦	2.4	♦
433	265	Douglas (Robt. M)	395	......	†6.5	5.8	2.2	9.7
28½	15½	♦Dunton Group 5p.	19½	......	1.0	3.5	6.8	5.5
169	114	EBC 50p.	127	......	8.0	3.4	8.4	4.6
46½	33½	Edmond Hldgs 10p.	36½	......	1.85	3.0	6.8	6.6
129	110	♦Epwin Group 10p.	118	......	6.0	2.3	6.8	7.9
75	51	Erith	66	−2	3.9	1.2	7.9	13.8
271	218	♦Eve Group	235	......	b7.0	3.0	4.0	4.6
151	111	Evered	137	−1	5.46	2.6	5.3	8.4
39	22	♦Explaura L/V 5p.	35	−1½	–	–	–	–
92	19	Fairbriar 10p.	19	−6	1.25	♦	8.8	♦
58	15	Finlan Group 10p.	15	......	4.9	1.9	–	1.5
282	235	♦Freeman Group 10p	235	......	8.1	3.1	4.6	8.5
84	59	Galliford 5p.	82	......	†3.9	2.1	6.3	9.8
195	130	Gibbs & Dandy 10p.	130	......	2.0	0.8	2.1	–
38	28	Do. "A" 10p.	33	......	2.0	0.8	8.1	23.7
768	641	Gleeson (M.J.) 10p.	768	+5	†9.36	8.1	1.6	10.1
200	150	Graham Wood	160	......	8.0	♦	6.9	♦
162	125	Harrison Inds 10p.	127xd	+2	7.3	2.1	7.7	8.4
124	91	Hewden-Stuart 10p.	99	......	2.75	5.0	3.7	7.2
£490	£375	Do. 10pc '03/08	£410	......	Q10%	–	2.4	–
118	101	♦Hewetson 10p.	116	−2	4.5	♦	5.3	♦
97	82	Do. 7pc Cm Cv Pf.	96	−1	7.0	–	9.7	–
45	36	♦Hey & Croft 25p.	38	......	2.81	1.9	9.9	7.0
285	224	Heywood Williams	276	−1	12.5	2.8	6.0	7.5
113	90	Do. Cnv. Prf	109	−1	6.75	–	8.3	–
466	313	Higgs & Hill	366	......	20.0	2.6	7.3	6.9
75	55	How Group 10p.	58	+1	d3.6	1.7	8.3	9.3
37	27	Howard Hldgs. 10p.	27	......	1.5	4.6	7.4	4.5
152	112	Ibstock Johnsen	136	......	6.0	2.9	5.9	7.0
44	17	Do. Warrants	26	......	–	–	–	–
121	105	Jackson Group 10p.	118	−3	3.2	3.5	3.6	10.7
125	78	Jarvis 5p.	91	......	a2.5	4.1	3.7	8.9
*104½	73	♦Jennings A$.50	73	−1	Q20%	2.1	6.2	7.7
108	93	♦Kingspan Gp Ir10p.	96	......	♦Q2.8%	5.4	2.2	8.2
£50¾	£32	Lafarge Cop. FFr25	£47	......	Q35%	♦	1.9	♦
325	242	Laing (John)	300	......	13.0	3.3	5.8	6.8
303	230	Do. "A" N/Vtg.	300	......	13.0	3.3	5.8	6.8
295	220	Latham (J.) £1	270	......	11.25	♦	5.7	♦
96	55	Lawrence (W.)	67	+1	7.5	2.0	14.9	4.3
105	65	Do 8.5pc CnvRdPf £1	65	......	8½%	–	18.7	–
64½	56	Lilley 12½p.	64	......	2.5	3.5	5.2	6.7
115	98	♦Lon. & Clydeside	112xd	+4	†6.3	2.6	7.5	6.8
256	189	Lovell (Y. J.)	221xd	......	†8.75	4.2	5.3	5.9
365	311	McAlpine (Alfred)	354	......	16.1	1.8	6.1	12.2
144	34	McCarthy & Stone 20p.	75	−1	‡3.95	1.9	‡	10.0
205	195	McLaughlin & H.	195	......	10.0	2.2	6.8	8.0
208	181	Manders (Hldg)	187	+1	6.85	2.0	4.9	13.3
150	118	Marley	131	−1	6.35	2.0	6.5	8.9
134	108	Marshalls	128	......	5.0	♦	5.7	♦
102	87	Do. 6½p Cv. Pf.	93	......	6.5	–	9.5	–
92	65	Maunders (J.) 20p.	91	......	†4.75	4.0	7.0	4.8
416	333	Meyer Int.	412½xd	−2½	16.5	3.0	5.3	7.8
44	20	♦Miskin Grp 20p.	22	......	1.38	3.3	8.3	4.9
387	309	Mowlem (J)	333	−4	21.0	2.0	8.4	7.5
*115½	73½	NSM 10p.	90	−1	3.5	♦	5.4	♦
101	95	♦Needler Group	98	......	Q10.46c	2.4	5.3	7.8
*190½	147	Newman-Tonks	170xr	−3	9.3	1.8	7.5	9.5
181	133	Persimmon 10p.	181	+2	6.5	4.2	4.8	6.6
110	81	Phoenix Timber	81xd	......	2.75	♦	4.5	♦
£14	£11	Pochins	£11	......	s†24.0	7.6	2.9	5.0
136	102	Polypipe 10p.	134	−1	†3.0	3.6	3.0	11.3
165	114	Prowting 20p.	165	+1	5.0	3.3	4.0	10.0
76	51	♦Quiligotti 5p.	56	−2	2.2	♦	5.4	♦
745	586	RMC	703	−12	18.0	3.6	3.4	10.3
114	86	Raine Inds. 10p.	112	−1	†5.0	2.5	6.0	8.9
102	52	♦Ramus	55	......	‡7.5	2.0	‡	7.4
621	520	Redland	612	−6	23.35	2.2	5.1	10.3
£112	£98½	Do. Cap. 7¼pc. Cv. '02	£112	......	Q7¼%	–	6.5	–
126	111	♦Roskel 10p.	111	......	4.3	3.3	5.2	7.9
199	153	Rugby Group	183	−2	6.45	3.1	4.7	9.1
20	12	♦SWP Group 5p.	15½	+½	10.5	6.1	4.3	5.1
121	84	♦Sandell Group 10p.	84	......	4.4	1.9	7.1	9.3
104	90	♦Seafield-Reeve 10p.	93	−1	4.0	3.3	5.7	6.5
112	69	Sharpe & Fisher	101	......	4.0	2.6	5.3	9.8
143	120	Sheffield Insuls. 10p.	136	......	3.3	3.5	3.2	9.5
155	136	♦Sheriff Hldgs. 5p.	138xd	+2	†s3.75	2.9	3.6	9.8
200	168	♦Sharco Grp.	175	......	4.5	4.6	3.4	8.4
264	198	Sindall (Wm) 5p.	198	......	6.0	6.4	4.0	5.1
182	163	Smart (J.) 10p.	165	......	†06.4	2.7	5.2	9.7
455	346	Steetley	451	−2	13.75	3.1	4.1	9.9
289	207	Tarmac 50p.	268	−2	11.25	2.9	5.6	8.3
111	79	Tay Homes	98	......	†4.0	6.6	5.4	3.7
325	237	Taylor Woodrow	282	−10	9.0	2.4	4.3	11.9
665	535	Tilbury Group	593	......	32.0	2.8	7.2	6.7

BUILDING, TIMBER, ROADS — Contd

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
75	52	♦Torex Hire 10p.	68	......	2.4	2.3	4.7	11.9
217	163	Travis Perkins 10p.	217	+2	8.0	2.2	4.9	12.1
111	95	Try Group	96	......	6.0	2.9	8.3	
41	28	♦Tudor 20p.	33	......	2.7	1.8	10.9	5.9
325	272	Turriff Corp.	320	+1	15.0	3.2	6.3	6.0
63	15	♦Venture Plant Grp. 5p	24	−1	‡3.25	1.0	‡	6.1
172	124	Vibroplant 5p.	146	......	3.6	♦	3.3	♦
355	235	Ward Group 5p.	265	......	7.2	4.7	3.6	7.3
95	48	Ward Hldgs. 10p.	72	......	2.6	3.3	4.8	8.5
439	315	Watts Blake	439	+4	8.6	3.1	2.6	16.1
98	83	♦Wescol Group 10p.	83	......	u4.5	2.0	7.2	7.3
233	121	Westbury 10p.	197	+2	9.0	4.0	6.1	5.4
125	73	♦Westminster Scaffdg 10p.	75	−3	†L5.0	1.8	9.1	8.2
91	32	Wiggins Group	38d	......	‡9.0	1.0	‡	4.3
307	240	Wilson Bowden 10p.	307	+1	7.6	5.3	3.3	7.6
181	148	Wilson (Connolly)	176	−1	3.45	5.7	2.6	8.9
267	216	Wimpey (Geo)	245½	−7½	10.5	2.8	5.7	8.3

CHEMICALS, PLASTICS

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£46¾	£35¾	Akzo Fl.20	£37⅛	−⅛	Q40%	2.7	6.8	5.4
173	141	Allied Colloids 10p.	169½	−2½	3.2	♦	2.6	♦
65	48	♦Amer Plastic Tech 1c.	58	......	Q2.5c	2.8	2.6	13.8
401	269	Amersham Intl.	344xd	−9	11.6	♦	4.6	♦
65	16	Astra Hldgs.	16	......	‡q4.38	2.5	‡	1.3
£115¼	£93¼	BASF AG DM50	£93¼	−⅛	sQ26%	2.5	5.0	8.0
185	135	BTP 10p.	184xd	......	67.85	♦	6.0	♦
£118⅞	£95¾	Bayer AG DM 50	£96⅞	+⅛	Q26%	2.5	4.8	8.3
193	166	Blagden Inds.	193	......	9.1	1.6	6.3	11.4
167	125	Brent Chems 10p.	162	+1	6.8	1.7	5.6	12.7
218	158	Caird Group 10p.	218	+5	†h2.17	3.1	1.3	27.7
141	97	Do. 7p Cv Pf 2009 10p.	141	+3	7.0	–	6.6	–
17	8	♦Cambridge Isotope 1c.	17	......	–	–	–	–
239	197	Canning (W.)	215	......	7.15	2.6	4.4	10.0
199	157	Croda Int. 10p.	169	+1	11.0	1.5	8.7	9.1
88	72	Doeflex 10p.	86	......	4.0	2.5	6.2	8.4
*232½	163½	Ellis & Everard	204	......	N7.0	2.7	4.6	11.8
£13½	£10½	Engelhard US$1	£12⅛	−⅛	Q52c	–	2.3	–
20	15	European Colour 5p.	15½xd	......	0.6	0.7	5.2	(44.9)
159	129	Evode Group	133	......	6.04	1.8	6.1	9.5
87	75	Do. 7p Rd.Pf.	81xd	......	7.0	–	11.5	–
314	212	Foseco	228	−10	13.5	2.0	7.9	7.3
53	35	♦Gaynor Group 10p.	35	......	‡1.2	1.2	‡	23.9
237	177	Halstead (J.) 10p.	199	+3	†9.5	3.3	6.4	6.4
£25	£18	Hercules Inc	£19¼	+¼	Q$2.24	–	6.6	–
245	184	Hickson Intl	185	−2	8.0	2.8	5.8	7.8
£115¼	£90⅞	Hoechst AG DM50	£90⅞	−1⅛	Q26%	2.6	5.1	7.4
£325	£325	Do.Fla.10pcUn.Ln.	£325	......	Q10%	–	3.1	–
1263	1024	ICI £1	1152	+6	55.0	2.1	6.4	8.6

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Contd

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES — Contd

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
		Components						
458	420	Abbey Panels	453	......	3.5	10.8	1.0	12.0
225	203	Airflow Streamlines	217	......	6.0	3.9	3.7	9.3
190	145	Bostrom 5p	180	......	5.75	3.1	4.3	8.2
266	191	Dowty 50p	228	−3	9.0	♦	5.6	♦
239	152	FR Group	160	......	6.37	3.2	5.3	7.6
135	63	Kwik-Fit Hldgs. 10p	80	......	2.4	1.7	4.0	20.1
174	142	Lucas Inds.	167	−1	6.25	3.0	5.0	7.6
16	6½	Spice 5p	7½	......	1.2	0.4	♦	53.7
		Garages and Distributors						
28	19	Alexanders 10p	23	−1	1.0	3.0	5.8	6.9
135	110	Appleyard 10p	114	......	7.8	2.4	9.1	5.3
110	75	Bletchley Motor 20p	85	+3	7.5	1.9	12.0	5.9
568	489	Caffyns 50p	489xd	......	11.5	0.3	3.1	—
121	98	Central Motor Auctns.	105	......	3.25	3.0	4.1	10.6
61	26	Cook (D.C.) Hldgs.	40	......	‡1.33	—	♦	—
89	33	Cowie (T.) 5p	60	......	4.2	2.2	9.3	5.6
95	68	Dagenham Motors 10p	73	......	5.25	2.8	9.6	5.0
98	81	Davenport Vernon 10p	91xd	......	3.5	3.6	5.1	6.4
29	16	Equity & Gen 5p	20	......	‡1.5	1.7	10.0	(7.1)
247	169	Evans Halshaw	187	......	11.25	2.4	8.0	6.8
113	85	Gates (F.G.)	103	......	2.75	1.9	3.6	19.3
161	106	Gowrings 10p	112	+1	5.63	1.3	6.7	12.6
167	118	Hartwell	154	......	3.6	♦	3.1	♦
81	58	Jacks Wm.	58	−1	2.0	1.0	4.6	29.1
118	78	Jessups	79	......	7.0	2.5	11.8	4.5
297	233	Lex Service	275	......	15.3	2.6	7.4	7.0
147	98	Lookers	98	......	6.2	3.9	8.4	3.9

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY — Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST — Contd

INVESTMENT TRUST — Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES — Contd

Miscellaneous

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
190	105	Anglesey Mining 5p	112	+2	—	—	—
110	28	Do. Warrants	28	......	—	—	—
17	11¼	Anglo-Dominion	12¼	......	—	—	—
651	266	Bond Intl. Gold	305	+7	—	—	—

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Craig & Rose £1	830xd	......
Finlay Pkg. 5p	53	......
Holt (Jos) 25p	1310	−10
IRISH		
Cap. 8½% Ln. 1991	£98¼	......
9pc Cap Ln. 1996	£96⅛	+⅛
Fin. 13% 97/02	£114	......
Arnotts	192	+2
Carroll (P.J.)	125	+4
Hall (R. & H.)	165	......
Heiton Hldgs.	80	......
IRG	200	−1
United Drug	160	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	7
Astec (BSR)	6
BAT	62
BOC Grp.	48
BTR	37
Barclays	34
Blue Circle	21
Boots	24
Bowaters	40
Brit Aerospace	47
British Steel	13
Brit. Telecom	25
Cadburys	30
Charter Cons	42
Comm Union	41
Courtaulds	29
Eurotunnel	55
FKI	7
FNFC	20
Gen Accident	93
GEC	18
Glaxo	68
Grand Met	53
Guardian	28
GKN	33
Hanson	20
Hawker Sidd	53
ICI	99
Ladbroke	27
Legal & Gen	34
Lex Service	28
Lloyds Bank	25
Lucas Inds	13
Marks & Spencer	19
Midland Bk	24
Nat West Bk	30
P & O Dfd	52
Polly Peck	39
Racal Elect	19
RHM	30
Rank Org Ord	70
Reed Intnl	38
STC	21
Sears	9
SmKl. Beecham A	48
TI	39
TSB	11
Tesco	19
Thorn EMI	62
Trust Houses	24
T&N	18
Unilever	58
Vickers	19
Wellcome	57
Property	
Brit Land	32
Control Secs	4
Land Securities	45
MEPC	45
Mountleigh	13
Oils	
Aviva Petm.	5
Brit Petroleum	28
Burmah Oil	55
Conroy Petm.	10
Gaelic Res.	3½
Premier	9
Shell	40
Tuskar Res.	5½
Ultramar	31
Mines	
Lonrho	22
RTZ	58

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AUTHORISED UNIT TRUSTS

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	49.74	50.30	53.51	-0.36	5.12
Gilts & Fixed Int	6	104.9	104.9	111.2	-0.6	9.89
High Inc Equity	6	135.8	136.8xd	145.2	-3.5	4.37
Worldwide Bond	6	187.9	187.9	199.3	-0.7	6.47
Capital Growth						
American Growth	6	185.8	187.5	199.4	-0.3	1.17
Asian Pacific	6	138.9	142.0	151.0	-0.9	0.00
Assets & Earnings	6	159.8	163.5	173.9	-0.2	2.79
Capital Reserve Acc	0	93.58	93.58	93.79	+0.12	7.61
Capital Reserve Inc	0	78.66	78.66	78.83	+0.1	7.61
Commity & Energy	6	90.64	93.00	98.93	-0.18	0.00
Dividend & Growth	6	47.40	48.49xd	51.58	.....	4.36
1992 Enterprise	6	63.26	64.59	68.71	-0.1	1.95
Euro Capital Acc	6	103.6	105.0	111.6	-0.1	0.89
Euro Capital Inc	6	99.45	100.7	107.1	-0.2	0.89
General	6	178.9	182.3	193.9	-0.1	2.58
International	6	60.40	61.25	65.15	-0.16	0.77
Japan	6	100.2	101.0	107.4	-0.6	0.00
Mastertrust	6	89.86	89.86	96.10	-0.22	1.54
UK Growth Acc	6	177.3	185.2	197.0	+0.1	2.52
UK Growth Dist	6	115.8	121.0	128.7	+0.1	2.52
US Emerging Cos	6	59.13	60.54	64.40	-0.26	0.00
Income & Growth	6	305.5	312.7	332.6	-0.5	3.08
Ethical	6	47.98	49.19xd	52.32	-0.17	1.91
Abtrust Management Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	31.80	31.90	34.06	+0.06	2.32
European	5¼	91.69	91.77	97.90	-0.18	0.00
European Income	5¼	88.81	88.81xd	94.76	-0.03	1.37
Exempt	1	764.0	764.0	789.6	-3.6	3.22
Exempt Income	3¼	177.4	177.4	187.7	-0.9	4.61
Exempt American	3¼	381.6	381.6	399.8	+3.3	1.42
Exempt Pacific	3¼	264.7	264.7xd	277.2	-1.4	0.00
Extra Income	5¼	42.90	42.90xd	45.80	-0.03	5.55
F East Emrg Econs	5¼	64.13	64.47xd	69.05	-0.10	0.00
Fixed Inv Tst	5	130.0	135.5	144.6	+0.9	1.29
Do Accum	5	205.4	214.0	228.5	+1.3	1.29
Gilt & Fixed Int	5¼	16.45	16.85xd	17.98	-0.02	11.61
Intl Income	5¼	63.85	63.85	68.16	-0.23	4.30
Japan	5¼	170.0	170.0	181.5	-1.3	0.00
Pacific	5¼	43.17	43.26	46.34	-0.10	0.00
Smaller Companies	5¼	51.36	51.36	54.83	-0.04	1.80
Special Situations	5¼	64.32	64.32	68.66	-0.01	0.60
UK Growth	5¼	37.47	38.00	40.57	-0.10	1.60
World Growth	5¼	55.38	55.38xd	59.12	+0.03	0.00
Brown Shipley & Co Ltd—Contd.						
North American	6	62.23	62.23	66.35	-0.08	0.28
Orient §	6	117.0	117.0	125.0	-1.40	—
Recovery	6	43.52	43.52xd	46.35	-0.09	3.02
Smaller Cos Acc	6	249.2	249.2	265.4	-0.20	—
Smaller Cos Inc	6	152.6	152.6	162.5	-0.10	1.28
Brycourt Unit Tst Mgmt Ltd (1400)F						
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382						
Income Growth	1	193.5	193.5	200.5	-2.8	13.39
Buckmaster Mangmt Co Ltd (1200)H						
15 St Botolph Street, London EC3A 7JJ 071-247 4542						
Emerging Gwth	5¼	61.25	61.25	64.93	+0.06	3.30
(Accum Units)	5¼	63.42	63.42	67.23	+0.06	3.30
Fellowship Tst	5¼	63.69	64.19	68.29	-0.11	3.13
(Accum Units)	5¼	66.59	67.10	71.39	-0.12	3.13
General Inc	5¼	296.5	300.5	319.7	-0.5	3.57
(Accum Units)	5¼	516.2	523.1	556.5	-1	3.57
Income	5¼	162.7	165.7	175.8	+0.2	3.78
(Accum Units)	5¼	330.4	336.2	356.7	+0.3	3.78
International	5¼	100.89	100.89	106.9	+0.3	1.00
(Accum Units)	5¼	139.3	139.3	147.7	+0.2	1.00
Smaller Co's	5¼	101.8	103.5	110.2	.....	2.03
(Accum Units)	5¼	114.0	116.0	123.5	.....	2.03
Inv Portfolio	3	56.18	56.18	58.15	-0.02	2.45
(Accum Units)	3	58.90	58.90	60.96	-0.02	2.45
High Income Port	3	47.46	48.44	50.20	-0.08	4.74
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 071-480 7216						
Short Dated Gilt	1¼	56.92	56.92	57.78	.....	6.87
CCF Foster Braithwaite UT Mngt (1100)F						
1 White Hart Yard, London SE1 1NX 071-407 5966						
CCF Sel High Inc Eqty	5½	48.18	48.97xd	52.10	-0.10	8.31
CCF Sel Intl Gwth	5½	47.37	47.37	50.97	-0.37	0.00
CCF Sel Inv Tst	5½	48.77	50.02	53.22	+0.01	2.01
CCF Sel UK Sm Co's	5½	47.31	48.69	51.80	+0.28	2.28
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 081-740 7070						
UK General Tst	5½	56.52	57.71	61.39	-0.03	2.86
Global Tst	5½	46.41	46.92	49.91	-0.19	0.35
Recovery Tst	5½	48.92	50.18	53.38	-0.05	1.92
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 071 234 6000						
Growth Fd Acc	5	119.4	120.7	127.3	-0.10	4.85
CIS Unit Managers Ltd (1000)F						
PO Box 105, Manchester M60 0AH 061 837 5060						
Environ	6	93.05	95.22	101.3	-0.2	2.94
UK Growth	6	106.5	108.1	115.1	-0.5	2.56
UK Income	6	102.9	104.8	111.5	-0.6	5.75
CS Fund Managers Limited (1000)H						
125 High Holborn, London WC1V 6PY 071-242 1148						
CS America	5	58.06	58.06	61.76	-0.37	0.97
CS International	5	57.32	57.32	60.97	+0.02	1.37
CS Japan	5	135.9	135.9	144.1	-1.2	0.64
CS Portfolio Inv	5	73.14	73.14xd	77.80	-0.30	2.54

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Merlin Jupiter Unit Tst Mgrs Ltd (0905)F						
197 Knightsbridge, London SW7 1RB 071-581 3020						
American Gap	5	108.6	111.6	118.7	-1.2	0.85
Income	5	85.24	86.58xd	92.10	-0.38	4.60
Resources & General	5	110.7	111.7	118.8	-0.8	2.71
Special Sits	5	33.81	34.86xd	37.08	-0.09	3.62
International	5	53.45	53.45	56.86	-0.07	3.03
Ecology	5	58.76	60.03	63.86	-0.12	1.89
Metropolitan Unit Trust Mngrs Ltd (1000)F						
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184						
Eurogrowth Plus	6	78.34	79.36	84.43	-0.75	0.56
Global Growth	5¼	43.82	43.82	46.62	+0.02	0.54
Global Income Acc	6	94.31	95.14xd	58.66	-0.28	3.41
Do Income	6	49.96	50.72xd	53.96	-0.2	3.71
Sunrise Accum	6	67.80	69.30	73.72	-0.04	0.00
UK Growth Acc	6	55.27	56.55xd	60.16	-0.25	1.66
UK Income Acc	5¼	65.32	66.25	70.48	-0.36	4.26
Do Income	5¼	59.66	60.51	64.37	-0.35	4.66
Midland Unit Trusts Ltd (1200)F						
192 Eyre Street, Sheffield, S1 3RD 0742 529888						
British Tst	6	63.17	63.68	68.11	+0.03	3.02
(Accum Units)	6	65.69	66.22	70.82	+0.02	3.02
Capital	6	109.3	109.3xd	116.9	-1.3	3.49
(Accum Units)	6	160.8	160.8	172.0	-2	3.49
European Growth	6	160.3	160.3xd	170.9	-1.2	0.66
(Accum Units)	6	197.6	197.6	210.7	-1.5	0.66
Extra High Inc	6	64.33	65.57xd	70.13	-0.2	7.41
(Accum Units)	6	93.87	95.65	102.3	-0.3	7.41
Gilt & Fxd Int	4	47.35	47.38xd	49.48	+0.03	10.05
(Accum Units)	4	101.8	101.9	106.4	+0.1	10.85
High Yield	6	199.1	202.2	216.3	-0.6	5.70
(Accum Units)	6	403.7	410.1	438.6	-1.3	5.70
Income	6	245.1	248.0	265.2	-0.6	4.53
(Accum Units)	6	451.3	456.7	488.4	-1	4.53
Intl High Yl UT	6	58.86	58.86	62.95	+0.03	2.74
(Accum Units)	6	61.07	61.07	65.32	+0.03	1.74
Japan Growth	6	323.4	323.4	346.2	-3.7	0.00
(Accum Units)	6	340.0	340.0	363.9	-3.9	0.00
Mandarin Tst	6	68.65	68.65	73.41	-0.35	1.16
(Accum Units)	6	69.70	69.70	74.53	-0.36	1.16
Mngd P'folio Acc	6	71.14	71.99	76.99	-0.18	2.53
Money Market UT	1½	50.15	50.15	50.90	+0.01	13.55
(Accum Units)	1½	98.43	98.43	99.30	+0.01	13.55
North American	6	117.6	117.6xd	125.8	-0.6	1.00
(Accum Units)	6	145.2	145.2	155.3	-0.8	1.00
Smaller Cos	6	148.7	148.7	159.0	+0.2	2.61
(Accum Units)	6	166.5	166.5	178.1	+0.3	2.61
Meridian Income	6	102.2	102.2xd	109.3	-0.3	4.28
(Accum Units)	6	108.9	108.9	116.5	-0.4	4.28
Meridian Growth	6	119.1	119.1	127.4	-0.4	2.23

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
12 Carthusian St, London EC1M 6EB 071-796 1200						
American*	4	66.07	66.58	69.47	.....	0.0
Far Eastern*	4	180.29	184.7	193.73	.....	+.1
Growth†	4	187.99	190.30	201.08	.....	4.1
Income†	4	135.77	137.43	146.19	.....	6.1
Scandinavian†	4	81.43	84.53	89.63	.....	0.3
† Dealing Day: Wed. *Dealing day: Thurs.						
Pearl Unit Trusts Ltd (1000)H						
PO Box 500, Thorpe Wood, Peterborough PE3 6GQ Dealing: 0800 626577 Enquiries 0733 67767						
Growth	5	115.7	118.2	124.4	-0.3	3.27
(Accum Units)	5	190.1	194.2	204.4	-0.5	3.27
Income	6	180.7	184.1	195.8	-0.9	4.39
Equity	6	181.1	184.3xd	196.0	-0.5	3.08
(Accum Units)	6	346.3	352.3	374.8	-1.1	3.08
Intl Equity	6	179.4	181.6	193.1	-0.5	1.86
(Accum Units)	6	188.6	190.9	203.0	-0.6	1.86
UK Income	6	47.99	48.80xd	51.91	-0.25	4.53
UK Intl 25	6	49.53	50.22xd	53.42	-0.15	2.83
UK Smaller Co's Acc	6	48.54	49.39	52.53	+0.03	2.00
Pembroke Administration Ltd (1700)F						
18-19 Sandland St, London WC1R 4PZ. 071-430 0556						
Pembroke Accum	5	86.43	89.02	94.35	.....	2.43
Perpetual Unit Tst Mngmt (1600)F						
48 Hart Street, Henley on Thames 0491 576868						
International Gwth	5¼	355.06	355.06	379.75	+0.45	1.03
Income	5	238.62	238.62	256.15	-1.04	5.08
W'wide Recovery	5¼	211.22	211.22	225.91	-0.04	1.06
American Growth	5¼	94.96	94.96	101.57	-0.95	1.29
Intl Emerging Cos	5¼	101.29	101.29	108.34	-0.12	3.40
Far East Gwth	5¼	130.96	131.99	141.17	+0.85	2.02
European Gwth	5¼	100.86	101.40	108.45	+0.43	1.53
UK Growth	5¼	48.89	48.89	52.29	+0.19	2.98
High Income	5¼	55.00	55.00xd	58.83	+0.02	5.99
Japanese Gwth	5¼	157.37	157.37	168.32	-0.98	0.01
PEP Gwth & Inc §	5¼	58.64	59.08	63.19	+0.06	2.64
Asian Smllr Mkts	5¼	50.10	50.10	53.59	-0.53	1.40
Phillips & Drew Unit Managers Ltd (1400)F						
14 Finsbury Square, London EC2A 1PD 071-628 6070						
Charities Fxd Int Jun 20	¼	96.16	96.16	96.53	.....	10.4
Charities Ind Ltd Jun 28	¼	100.2	100.2	100.6	.....	2.6
UK Exempt June 28	¼	106.3	106.3	108.9	.....	3.5
Charities Intl June 28	¼	120.2	120.2	122.1	.....	4.7
Principal Unit Trust Mngmt Ltd (1600)F						
16 South Park, Sevenoaks, Kent TN13 1AN 0732 740700						
Principal Tst	5¼	97.51	98.91	105.23	-0.15	3.50
Prolific Unit Tst Mngrs Ltd (1100)F						
222 Bishopsgate, London EC2 071-247 7544/7						
American Income	5	61.08	61.08	64.97	-0.42	4.11
Conv & Gilt	5	110.9	110.9xd	117.9	+0.1	7.90
Euro Gwth & Inc	5	63.05	63.05	67.21	-0.39	1.35
Extra Income	5	136.4	138.4xd	147.3	+2.3	4.90
Far East	5	266.0	266.0	283.5	-4.1	0.01
High Income	5	87.85	87.85	93.45	-1.49	4.81
International	5	163.8	163.8	174.2	-1.4	0.14
Nth American	5	150.0	150.0	159.9	-0.9	0.29
Pref & Fxd Int	5	35.70	35.70	38.01	+0.02	10.44
Special Sits	5	112.3	112.3xd	119.7	-1.9	1.94
Technology	5	151.8	151.8xd	161.4	-0.1	0.09
Providence Capital Fd Mgrs Ltd (1000)H						
30 Uxbridge Road, London W12 8PG 081-749 9111						
European Acc	5	150.2	150.2xd	161.0	-0.6	0.67
European Inc	5	144.0	144.0xd	154.4	-0.6	0.67
Japan Acc	5	95.75	95.75	102.5	-0.4	0.00

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ¶ - 0001 to 1100 hours; ‡ - 1101 to 1400 hours; ◆ - 1401 to 1700 hours; ‡ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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Touche Remnant Unit Tst Mngt Ltd—Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TR Income Growth	5¼	87.92	87.92	92.89	-0.39	4.95
TR Income Monthly	5¼	32.69	32.69	34.05	-0.13	4.87
TR Japan Growth	5¼	83.27	83.27	88.41	-0.59	0
TR Overseas Growth	5¼	67.66	67.66	72.27	-0.39	0
TR Smaller Cos	5¼	78.41	78.41	83.41	-0.29	3.65
TR Special Ops	5¼	85.29	85.29	90.73	-0.19	4.35
TR Mgd Ex Plan Acc	5¼	36.50	36.50	38.82	-0.06	2.97
TR Mgd Ex Plan Inc	5¼	34.25	34.25	36.41	-0.05	2.97
TR Wwide Sp Sit Acc	5¼	39.46	39.46	42.28	+0.25	0
TR Wwide Sp Sit Inc	5¼	39.42	39.42	42.24	+0.25	0
TR Pension Portfolio						
TR American Grth	6	28.35	28.73	30.45	-0.38	0
TR Eur Sp Sits	6	35.77	36.52	38.90	-0.35	0
TR General Growth	6	26.31	26.58	28.18	+0.01	0
TR Global Tech	6	30.58	31.00	32.86	+0.06	0
TR Income Growth	6	26.03	26.30	27.87	-0.11	0
TR Japan Growth	6	25.96	26.19	27.76	-0.31	0
TR Mgd Equity	6	28.06	28.35	30.06	-0.03	0
TR Overseas Growth	6	28.98	29.34	31.16	-0.36	0
TR Smaller Cos	6	18.55	18.74	19.87	-0.03	0
TR Special Ops	6	17.58	17.77	18.83	----	0
TR Stlg Liquidity	6	26.64	27.10	28.23	----	0
TR Wwide Sp Sits	6	32.02	32.39	34.33	+0.04	0

Trades Union Unit Tst Mngrs (1200)H
NLA Tower, Addiscombe Road, Croydon 081-686 4355

TUUT	5	256.4	261.7	278.4	-0.2	3.14

Triton Fd Mngrs. Ltd. (1000)H
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400

Triton General	5¼	168.8	171.3	182.3	-0.8	3.34

Tyndall Unit Tst Mngrs Ltd (1600)F
25 Bucklersbury, London EC4N 0800 373574

Austral Value	5¼	40.31	40.31	42.74	+0.28	-
British Lion	5	88.02	88.02	93.31	-0.97	4.07
Accum Units	5	95.01	95.01	98.60	-1.02	4.07
Capital Defender	5	35.49	35.49	37.63	----	10.33
Accum Units	5	42.60	42.60	45.17	----	10.33
1992 European Acc	5	78.89	78.89	83.63	+0.21	1.04
Income	5	78.69	78.69	83.42	-0.53	8.05
Accum Units	5	90.59	90.59	96.04	-0.61	8.05
Smaller Co's	5	72.20	72.20	76.54	+0.22	3.52
Accum Units	5	75.37	75.37	79.90	+0.23	3.52
Tiger Accum H	5¼	75.33	75.33	79.86	+0.11	1.85

UK Unit Trust Managers Ltd (0905)F
Worthing Road, Horsham, RH12 1SL 0403 40033

British Growth	5¼	64.47	66.00	70.21	-0.27	2.13
Technical Analysis	5¼	63.84	64.31	68.41	-0.21	1.30

Abbey Life Assurance Co Ltd—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
High Inc. Ser. 4	475.1	500.2	+3.6	-
Money Ser. 4	251.7	265.0	+0.5	-
Intl Ser. 4	115.1	121.2	-0.4	-
Deposit Ser. 4	105.1	110.7	-0.2	-
Pension Funds				
Property	637.3	670.9	----	-
Equity	1188.1	1250.7	-2.6	-
Selective	385.2	405.5	-0.4	-
Managed	868.3	914.0	-1.5	-
Security	499.2	525.5	+1.4	-
Fixed Int	266.1	280.2	-0.2	-
Indexed	159.2	167.6	----	-
American	270.1	284.4	-0.6	-
Japan	317.1	333.8	-1.8	-
European	189.4	199.4	-0.2	-
High Income	134.0	141.1	+1.2	-
Capital	123.5	130.0	-0.3	-
International	210.4	221.5	-0.5	-

Access Life Assurance Ltd
The Glanty, Egham, Surrey TW20 9AT 0784 475333

Managed	174.5	183.7	+0.1	-
World Growth	144.5	152.1	-0.3	-
UK Equity	202.8	213.4	+0.2	-
UK Small Companies	175.8	185.0	+0.4	-
European	153.7	161.7	-0.5	-
Far Eastern	311.2	327.5	+2.3	-
Nth American	108.3	114.0	-0.8	-
Fixed Interest	129.5	136.3	-0.2	-
Index Linked Stks	143.9	151.4	----	-
Money	128.7	135.4	----	-
Pen Managed	222.6	234.3	+0.1	-
Pen World Growth	158.8	167.2	-0.3	-
Pen UK Equity	289.0	304.2	+0.1	-
Pen UK Small Cos	222.0	233.6	+0.7	-
Pen European	150.2	158.1	-0.5	-
Pen Far Eastern	460.5	484.7	+2.5	-
Pen Nth American	110.3	116.1	-0.8	-
Pen Fixed Interest	157.7	166.0	-0.1	-
Pen Index Lnkd Stks	154.1	162.2	----	-
Pen Money	149.0	156.8	----	-

AEtna Life Insurance Co Ltd
2-12 Pentonville Rd, London N1 9XD 0800 010575

Life Funds (Accumulating Units)

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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	Bid Price	Offer Price	+ or −	Yield Gross
Norwich Union Life Insurance Soc.–Contd.				
Pensionmaster* & Unit-Linked Plan*				
Mixed Fund	405.0	426.3	−0.5	−
Ordinary Share Fund	603.0	634.7	−1.4	−
International Fund	167.5	176.3	−0.2	−
Property Fund	263.2	277.1	−0.1	−
Fixed Interest Fund	302.2	318.1	+1.7	−
Index-Linked Sec Fund	171.8	180.8	−0.5	−
Deposit Fund	228.1	240.1	+1.0	−
Norwich Units May 15	938.37		----	−
*Prices as at June 29				
Jersey Investment Plan				
With Profits Fund	99.68	104.93	+0.04	−
Intl Equity Fund	93.57	98.49	−0.45	−
Intl Bond Fund	96.03	101.09	−0.55	−
Pearl Assurance (Unit Funds) Ltd				
Thorpe Wood, Peterborough PE3 6SA 0733 63212				
Prop. Dist. (Gross)	168.9	177.8	----	−
Prop. Acc. (Gross)	289.5	304.8	----	−
Equity (Gross)	821.5	864.7	−2.9	−
Managed (Gross)	573.0	603.2	−1.5	−
Prop. Acc. (Net)	134.8	141.9	----	−
Equity (Net)	189.3	199.3	−0.6	−
Managed (Net)	174.7	183.9	−0.4	−
International (net)	166.9	175.7	−0.3	−
Gilt & Fxd Interest	105.5	111.1	+0.2	−
Money Fund	116.7	122.8	----	−
Pearl Assurance (Unit Linked Pens) Ltd				

	Bid Price	Offer Price	+ or −	Yield Gross
Johnson Fry Financial Services Ltd				
Derland Hs 20 Regent St, Ldn SW1Y 4PZ 071-439 0924				
J. Fry Man M&G Fd (z)	163.4	171.7	−0.7	−
J. Fry Man Target PerFd (z)	94.3	99.3	+0.1	−
J. Fry Man Pru Bellon Fd	92.2	97.1	+0.1	−
J. Fry Skandia Pens (z)	92.4	97.2	−0.1	−
J. Fry Secure	175.8		+0.2	−
J. Fry Recovery	96.1	101.1	+0.5	−
Knight Williams & Company Ltd				
161 New Bond Street, London W1Y 0LA 071-408 1138				
Principal Funds				
KW Principal Portfolio	119.7	126.0	----	−
KW Albany	125.6	132.2	(z)	−

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Kleinwort Benson Intl Fd Mngrs Ltd						
PO Box 44, Guernsey, CI 0481 27111						
KB Far East (Gns)*	3	22.37	22.37	23.68	----	2.82
KB Gilt*	2½	£12.29	12.29	12.66	----	10.67
Intl Equity Inc*	5	191.1	191.1	204.8	----	4.34
KB Inc.Jn.Bd.Fd.Inc*	5	5.277	5.277	5.560	----	6.71
Conti European Ltd	5	2.052	2.052	2.183	−0.002	4.23
Nth American	5	0.9947	0.9947	1.062	−0.002	0.58
US Equity Gwth	5	0.9429	0.9429	1.034	−0.002	−
Japanese	5	0.9070	0.9070	0.9745	−0.002	−
Intl Eqty Gwth Acc*	5	373.0	373.0	401.0	+0.5	0.87
Intl Eqty Gwth Inc*	5	221.1	221.1	237.5	+0.3	0.87
*Offer price inclusive of maximum preliminary charge						

Lazard Fund Mngrs (Channel Islands) Ltd

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

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IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

DM Fd OPUPs	DM9.26	9.32	......	–
Yen Fd BOPUPs	$7.51	7.52	......	–
Yen Fd OPUPs	$9.25	9.31	......	–
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst	$13.26	13.93	......	0.57
Japanese Warrants	$10.00	10.90	-0.15	–
Asian Warrants	$10.29	10.90	+0.12	–
European Warrants	$10.36	10.97	-0.06	–
Managed	HK$9.81	10.46	+0.04	–
Wells Fargo U.S. IT Fund				
NAV July 2		$10.10	......	–
Xiphias International Investment Fd Ltd				
Xiphias Int USD		$1.0253	......	–
Xiphias Int ECU		Ecu1.0241	......	–

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
CAF Money Management Co Ltd				
48 Pembury Road, Tonbridge TN9 2JD			0732 770114	
Cafcash Deposit Fd	14.59	–	15.41	3-Mth
The COIF Charities Deposit Account				
2 Fore Street, London EC2Y 5AQ			071-588 1815	
Deposit	14.80	–	15.64	3-Mth
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ			071-588 1815	
Deposit	14.85	–	15.70	3-Mth
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1R 1NX			071-236 1425	
Call Fund	14.59	11.38	15.61	6-Mth
7-day Fund	14.75	11.50	15.78	6-Mth
Special Fund	14.83	–	16.27	1-Mth
Dollar	7.00	5.46	7.43	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Aitken Hume Bank plc				
30 City Road, EC1Y 2AY.			071-638 6070	
Treasury Acc.	13.50	10.53	14.60	Qtr
Mthly Int Chq £1,000-£4,999	13.50	10.53	14.73	Mth
Mthly Int Chq £5,000-£49,999	14.00	10.92	15.31	Mth
Mth Int Chq £50,000+	14.50	11.31	15.88	Mth
Allied Trust Bank Ltd				
97-101 Cannon St, London, EC4N 5AD			071-629 6802	
OMNA (£2,001 +)	14.78	11.53	16.210	Mth
HICA (£2,001 +)	13.90	10.84	15.196	Mth
PROMNA (£250,001+)	14.90	11.62	16.349	–
American Express Bank Ltd				
c/o American Express Financial Services Limited				
49 The Martlets, Burgess Hill				
West Sussex, RH15 9NW 0444 870088				

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling continues to advance

Sterling remained very firm on the foreign exchanges yesterday, as comments by Mrs Margaret Thatcher, the UK Prime Minister, and by Mr Karl Otto Pöhl, president of the West German Bundesbank, confirmed that the pound is likely to become a member of the EMS exchange rate mechanism in the foreseeable future.

Mrs Thatcher told Parliament that Britain is "bound to join the ERM. We have accepted that and we shall join when the time is right." This tended to echo the words said by Mr Pöhl in London on Monday.

The Bundesbank president remained in London yesterday and told a committee of the House of Lords that "only those countries that have reached a high degree of convergence would begin with a common monetary policy and a common currency. Other countries then would be invited to join when they are ready." He added that this is "a very delicate issue" because it raises concerns about a two-speed Europe. Mr Pöhl said that monetary union is not a revolutionary act but an evolutionary process.

At the same time he repeated his view that Britain's proposal to increase the use of the European Currency Unit, on the road to monetary union, is unhelpful.

Speculation that sterling could be part of the ERM before the end of the year pushed the pound up to DM2.9375 from DM2.9250 against the D-Mark. The UK currency also gained 1.60 cents to $1.7795, while advancing to Y269.00 from Y266.75; to SFr2.4800 from SFr2.4750; and to FFr9.8625 from FFr9.8100. Sterling's index rose 0.6 to 92.3.

The dollar traded quietly ahead of today's US Independence Day holiday. The currency had a weak undertone, on speculation about an easing of the Federal Reserve's monetary policy. Friday's figures on US employment trends may prove an important guide to the performance of the economy, and if the data is weak could encourage a lowering of interest rates, according to dealers.

At the London close the dollar had fallen to DM1.6510 from DM1.6580; to Y151.15 from Y151.25; to SFr1.3930 from SFr1.4035; and to FFr5.5425 from FFr5.5625. Its index was unchanged at 66.4.

Within the EMS exchange rate mechanism the Spanish peseta hit its 6 per cent upper limit against the weak Danish krone, after Spanish officials ruled out any short-term depreciation of the currency. The lira was also firm, but remained within its agreed limits. The D-Mark fell to L733.20 from L734.00 and the French franc to L218.40 from L218.80 at the London close.

German monetary union remained the focal point for the D-Mark, but the currency showed little movement, as dealers continued to weigh up the implications. The D-Mark rose to FFr3.3570 from FFr3.3550 against the French franc and to Y91.55 from Y91.20 in terms of the Japanese yen.

£ IN NEW YORK

July 3	Latest	Previous Close
£ Spot	1.7780-1.7790	1.7765-1.7775
1 month	1.01-1.00pm	1.01-1.00pm
3 months	2.80-2.78pm	2.80-2.78pm
12 months	9.30-9.20pm	9.30-9.20pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 3	Previous
8.30 am	92.3	91.4
9.00 am	92.3	91.5
10.00 am	92.3	91.6
11.00 am	92.4	91.6
Noon	92.4	91.6
1.00 pm	92.4	91.6
2.00 pm	92.4	91.7
3.00 pm	92.3	91.7
4.00 pm	92.3	91.7

CURRENCY RATES

July 3	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.757851	0.704159
U.S Dollar	7	1.33215	1.24756
Canadian $	13.32	N/A	1.45166
Austrian Sch.	6½	15.5195	14.5366
Belgian Franc	10¼	45.3397	42.4544
Danish Krone	10½	8.39721	7.85900
Deutsche Mark	6.00	2.20311	2.06596
Neth.Guilder	7.00	2.47980	2.32545
French Franc	10¼	7.40276	6.92957
Italian Lira	13½	1620.97	1514.97
Japanese Yen	5¼	202.620	189.167
Norway Krone	8	8.49379	7.94071
Spanish Peseta	-	135.390	126.764
Swedish Krona	11	7.99423	7.49159
Swiss Franc	6.00	1.86634	1.74658
Greek Drach.	20½	N/A	202.154
Irish Punt	-	N/A	0.770146

† European Commission Calculations.
* All SDR rates are for July 2

CURRENCY MOVEMENTS

July 3	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.3	-20.2
U.S Dollar	66.4	-12.0
Canadian Dollar	104.2	+1.5
Austrian Schilling	109.4	+11.5
Belgian Franc	111.2	-2.4
Danish Krone	110.3	+4.6
Deutsche Mark	118.0	+23.8
Swiss Franc	114.1	+22.3
Guilder	[illegible]	[illegible]
French Franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty Changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for July 2.

OTHER CURRENCIES

July 3	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	284.50-289.00	160.70-163.30
Hong Kong	13.7795-13.7925	7.7855-7.7875
Iran	121.40*	69.20*
Korea(Sth)	1255.25-1275.50	712.70-718.30
Kuwait	0.51560-0.51710	0.29180-0.29250
Luxembourg	60.35-60.45	33.90-34.00
Malaysia	4.7855-4.7975	2.7055-2.7075
Mexico	5069.20-5072.45	2863.00-2864.00
N. Zealand	2.9940-2.9985	1.6910-1.6930
Saudi Ar.	6.6255-6.6310	3.7500-3.7510
Singapore	3.2395-3.2465	1.8310-1.8330
S. Af (Cm)	4.6840-4.6955	2.6480-2.6495
S. Af (Fn)	7.1685-7.3165	4.0485-4.1320
Taiwan	47.75-48.40	27.10-27.20
U.A.E.	6.4875-6.4945	3.6720-3.6730

*Selling rate

EURO-CURRENCY INTEREST RATES

Jul 3	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15-14⅞	15-14⅞	14 15/16-14⅞	14 15/16-14 13/16	14⅞-14 13/16	14 11/16-14½
US Dollar	8⅜-8¼	8⅜-8¼	8⅜-8¼	8⅜-8¼	8⅜-8¼	8½-8⅜
Can. Dollar	13¼-13	13¼-13	13¼-13	13⅜-13⅛	13¼-13	13-12¾
D. Guilder	8-7¾	7⅞-7¾	8-7⅞	8¼-8⅛	8½-8⅜	8⅝-8½
Sw. Franc	9¼-9⅛	9¼-9⅛	9⅛-9	9⅛-8⅞	8⅞-8⅝	8⅝-8½
Deutschmark	8⅛-7⅞	8⅛-8	8⅛-8	8⅜-8¼	8½-8⅜	8⅝-8½
Fr. Franc	10⅛-10	10⅛-10	10-9⅞	10⅛-9⅞	10⅜-10¼	10½-10⅜
Italian Lira	13-11	12½-11½	11¾-11¼	11½-11	11¾-11¼	11¾-11½
Belgian Franc	9⅝-9⅜	9⅝-9⅜	9½-9⅜	9½-9⅜	9½-9⅜	9½-9⅜
Yen	7⅛-7⅜	7⅝-7⅜	7⅛-7⅜	7⅛-7⅜	7⅜-7⅝	7¾-7⅝
D.Krone	10⅛-10	10⅛-10	10¼-10⅛	10⅜-10⅛	10⅝-10⅜	10¾-10⅝
Asian $Sing	8⅜-8¼	8⅜-8¼	8⅜-8¼	8⅜-8¼	8⅜-8¼	8½-8⅜

Long term Eurodollars: two years 8¾-8⅝ per cent; three years 8⅞-8¾ per cent; four years 9 1/16-8 15/16 per cent; five years 9 3/16-9 1/16 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

July 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7670-1.7800	1.7790-1.7800	1.01-0.99cpm	6.74	2.81-2.78pm	6.28
Canada	2.0550-2.0675	2.0635-2.0645	0.28-0.19cpm	1.37	0.74-0.61pm	1.31
Netherlands	3.29½-3.31¼	3.30¼-3.31¼	2-1⅞cpm	7.03	5¼-5pm	6.20
Belgium	60.05-60.50	60.35-60.45	30-27cpm	5.66	81-76pm	5.20
Denmark	11.13¾-11.20	11.18¾-11.19¾	4⅛-3⅞orepm	4.62	12¾-11¼pm	4.27
Ireland	1.0900-1.0960	1.0920-1.0930	0.50-0.45cpm	5.22	1.50-1.30pm	5.13
W. Germany	2.92¾-2.94	2.93½-2.94	1⅝-1½pfpm	6.89	4⅝-4½pm	6.30
Portugal	256.95-258.60	257.60-258.60	70-40cpm	2.56	93-36dis	-0.99
Spain	179.50-180.35	179.90-180.20	3-5cdis	-0.27	4-6dis	-0.11
Italy	2148-2157½	2153½-2154½	8-6lirepm	3.90	19-17pm	3.34
Norway	11.25¾-11.31¾	11.30¾-11.31¾	4-3⅝orepm	4.04	10⅝-9⅝pm	3.58
France	9.82¾-9.89¼	9.85¾-9.86¾	4⅛-4cpm	5.02	11½-11¼	4.59
Sweden	10.61¾-10.68¾	10.67¾-10.68¾	2⅜-2½orepm	2.95	6½-5¾pm	2.32
Japan	268-269½	268½-269½	1⅞-1⅝ypm	7.53	4⅝-4½pm	6.88
Austria	20.59-20.68	20.65-20.68	11⅝-10⅛gropm	6.50	31⅝-29¼pm	5.89
Switzerland	2.47¼-2.48½	2.47½-2.48½	1¼-1⅛cpm	5.75	3½-3¼pm	5.44
ECU	1.4000-1.4020	1.4010-1.4020	0.61-0.58cpm	5.09	1.56-1.51pm	4.38

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.36-5.31cpm 12 month 9.30-9.20cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

July 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7670-1.7800	1.7790-1.7800	1.01-0.99cpm	6.74	2.81-2.78pm	6.28
Ireland†	1.6170-1.6245	1.6215-1.6225	0.27-0.22cpm	1.82	0.67-0.57pm	1.53
Canada	1.1610-1.1645	1.1620-1.1630	0.51-0.54cdis	-5.42	1.45-1.50dis	-5.07
Netherlands	1.8580-1.8655	1.8580-1.8590	0.03-0.01cpm	0.13	0.01dis-0.02pm	0.03
Belgium	33.90-34.05	33.90-34.00	Par-6.00cdis	-1.06	4.00-14.00dis	-1.06
Denmark	6.28¾-6.30¾	6.28¾-6.29¼	1.00-1.30oredis	-2.19	2.90-3.60dis	-2.06
W. Germany	1.6505-1.6580	1.6505-1.6515	0.03-0.01pfpm	0.14	0.03-0.01pm	0.05
Portugal	145.25-145.50	145.30-145.40	45-65cdis	-4.54	200-250dis	-6.19
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.4544	+0.68	+0.48	±1.5508
Danish Krone	7.79845	7.85900	+0.78	+0.58	±1.6453
German D-Mark	2.04446	2.06596	+1.05	+0.85	±1.1762
French Franc	6.85684	6.92957	+1.06	+0.86	±1.3618
Dutch Guilder	2.30358	2.32545	+0.95	+0.75	±1.5272
Irish Punt	0.763159	0.770146	+0.92	+0.72	±1.6689
Italian Lira	1529.70	1514.97	-0.96	-1.16	±4.1505
Spanish Peseta	133.631	126.764	-4.41	-4.61	±4.2785

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

July 3	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.780	2.938	269.0	9.863	2.480	3.308	2154	2.064	60.40
$	0.562	1	1.651	151.1	5.541	1.393	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.340	0.606	1	91.56	3.357	0.844	[illegible]	[illegible]	[illegible]	[illegible]
YEN	3.717	6.617	10.92	1000.	36.67	9.219	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.014	1.805	2.979	272.7	10.	2.514	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.403	0.718	1.185	108.5	3.977	1	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.302	0.538	0.888	81.32	2.982	0.750	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.464	0.826	1.364	124.9	4.579	1.151	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.484	0.862	1.423	130.3	4.779	1.202	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.656	2.947	4.864	445.4	16.33	4.106	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100% — [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100% — [illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100% — [illegible]

LIFFE EUROMARK OPTIONS DM1m points of 100% — [illegible]

LIFFE EURODOLLAR OPTIONS $1m points of 100% — [illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100% — [illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100% — [illegible]

US TREASURY BONDS 8% $100,000 32nds of 100% — [illegible]

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100% — [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100% — [illegible]

THREE MONTH STERLING £500,000 points of 100% — [illegible]

THREE MONTH EURODOLLAR $1m points of 100% — [illegible]

THREE MONTH EUROMARK DM1m points of 100% — [illegible]

THREE MONTH ECU Ecu 1m points of 100% — [illegible]

FT-SE 100 INDEX £25 per full index point — [illegible]

POUND-$ (FOREIGN EXCHANGE) — [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100% — [illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100% — [illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr — [illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100 — [illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM — [illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100% — [illegible]

STANDARD & POORS 500 INDEX $500 times index — [illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1) — [illegible]

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES — [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF) — [illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate) — [illegible]

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int
July	2051.0	2045.5	+4.0	2058.0	2045.5	5,588
August	2060.0	2059.0	+7.5	2068.0	2059.0	332
September	2070.0	2070.0	+14.5	2070.0	2070.0	10
December	-	-	-	-	-	-

Estimated volume 3,292 Total Open Interest 5,930

MONEY MARKETS

London rates steady

There was little change in interest rates on the London money market yesterday. The continued strength of sterling had no significant impact on sentiment, with dealers suggesting there is little prospect of a reduction in UK bank base rates in the near term.

Three-month sterling interbank was unchanged at 14 15/16-14⅞ per cent and 12-month money was quoted at 14⅝-14½ per cent against 14 11/16-14 9/16.

Trade in short sterling futures remained subdued on Liffe, with the longer dated month of December trading nearly as many lots as September. Both contracts weakened slightly, with September delivery opening firm at 85.56 and falling, to close at 85.47, compared with 85.50 on Monday.

UK clearing bank base lending rate 15 per cent from October 5

Day-to-day credit was in quite short supply in London. The Bank of England forecast a shortage of £650m and provided total assistance of £501m.

Before lunch the authorities bought £128m bills outright, by way of £28m bank bills in band 1 at 14⅞ per cent and £100m bank bills in band 2 at 14¾ per cent. In the afternoon the Bank of England purchased a further £193m bills, via £33m bank bills in band 1 at 14⅞ per cent; £9m Treasury bills in band 2 at 14¾ per cent; and £151m bank bills in band 2 at 14¾ per cent. Late assistance of around £180m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £180m, with Exchequer transactions absorbing £480m, and bank balances below target £45m. These outweighed a rise in the note circulation adding £55m to liquidity.

In Frankfurt call money was steady at 7.95 per cent, as the West German Bundesbank showed caution in setting this week's securities repurchase agreement tender. Dealers regarded the Bundesbank's decision to set a single tender for 28-day funds this week as a sign that the central bank is concerned about high liquidity held by East German banks. The Bundesbank usually sets a two-tranche tender at the beginning of the month, but said that the single tender reflected an adequate supply of funds in the market. Two tenders totalling DM24.6bn expire today.

In Brussels the Belgian National Bank cut the rate on four-month paper, issued by the Securities Regulation Fund, by 0.15 points to 9.40 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 3) 3 months US dollars: bid 8⅜, offer 8½ — 6 months US Dollars: bid 8⅜, offer 8½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Prime rate, Broker loan rate, Fed.funds, Fed.funds at intervention — Treasury Bills and Bonds: One month, Two month, Three month, Six month, One year, Two year, Three year, Four year, Five year, Seven year, 10-year, 30-year — [illegible]

July 3	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Jul 3	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 14½ per cent; three months 14¼ per cent; Bank Bills (sell): one-month 14⅞; three months 14⅝ per cent; Treasury Bills: Average tender rate of discount 14.3198 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 29, 1990. Agreed rates for period July 25, 1990 to August 25, 1990, Scheme I: 15.94 p.c. Schemes II & III: 16.25 p.c. Reference rate for period June 1, 1990 to June 29, 1990, Scheme IV&V: 15.025 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from July 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

GRANVILLE SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
343	278	Ass. Brit. Ind. Ordinary	278	0	10.3	3.7	7.5
38	19	Armitage and Rhodes	25	0	-	-	-
210	135	Bardon Group (SE)	153	0	4.3	2.8	14.9
125	96	Bardon Group Cv Pref (SE)	97	0	6.7	6.9	-
123	70	Bray Technologies	71	+1	4.7	6.6	11.6
110	82	Bremhill Conv. Pref	82	0	11.0	13.4	-
315	285	CCL Group Ordinary	315	0	18.7	5.9	2.5
176	163	CCL Group 11% Conv.Pref	166	+1	14.7	8.9	-
225	140	Carbo Plc (SE)	215	0	7.6	3.5	12.6
110	109	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
7.5	0.125	*Magnet Gp Non-VotingA Cnv	0.1	0	-	-	-
7.5	0.125	*Magnet Gp Non-VotingB Cnv	0.1	0	-	-	-
130	59	Isis Group	59	0	8.0	13.6	3.4
145	58	Jackson Group (SE)	119	0	4.3	3.6	10.6
345	243	Multihouse NV (AmstSE)	325	0	-	-	-
158	98	Robert Jenkins	130	0	10.0	7.7	4.7
467	320	Scruttons	325	0	20.0	6.2	9.0
168	106	Unistrut Europe Conv Pref	168	+1	10.7	6.4	-
395	235	Veterinary Drug Co. PLC	236	0	22.0	9.3	6.3
384	278	W.S Yeates	384	0	16.2	4.2	32.0

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of the ISE. Other securities listed above are dealt in subject to the rules of TSA
These securities are dealt in strictly on a matched bargain basis. Neither Independent Companies Exchange Limited nor Granville Davies Limited are market makers in these securities
* These securities are dealt on a restricted basis. Further details available

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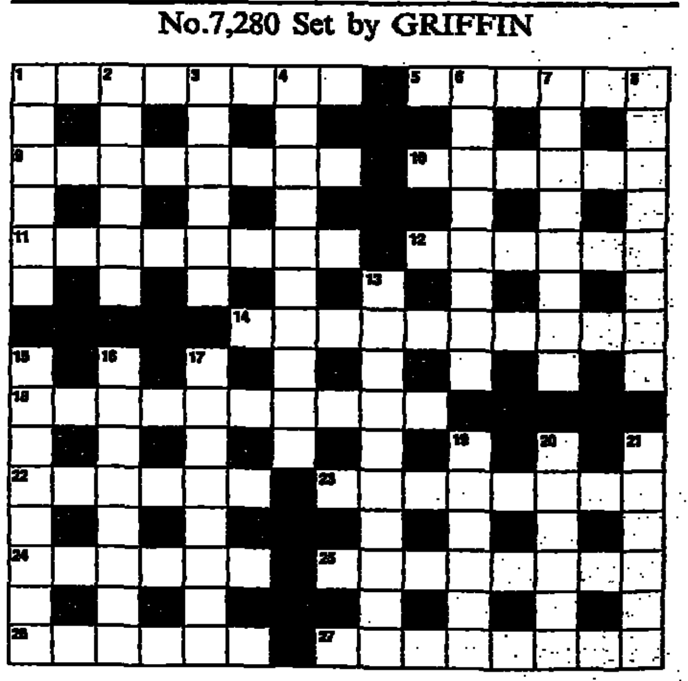
CROSSWORD

No.7,280 Set by GRIFFIN



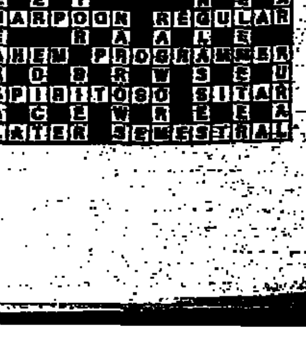
ACROSS

1 A much-loved man? (8)
5 Handicap amateur by getting behind (6)
9 Induce shivering in vacant ape house (8)
10 Girl, a Parisian, here in Los Angeles (6)
11 Fail to notice finished appearance (8)
12 County short of flagpoles (6)
14 Admitting tension, dead upset (10)
18 Pass supporter accepting bribe (10)
22 Rejected quote about beef supplier being foreign (6)
23 Davies, poor chap, is stuck in cement (8)
24 Gossip's story about abstainer (6)
25 Not out on street developing a hobby? (8)
26 Conservative leader in E-type needs guard (6)
27 Act without even getting discouraged (8)

DOWN

1 Top Chippendale or any carved drawer (6)
2 Eccentric nurse goes round saturated (6)
3 A one-eyed embroiderer? (6)
4 Some Australians have plums around mid-morning (10)
6 Assigned late and told to move (8)
7 He won't fight although is in agreement (8)
8 So Hardy planned to include piano music? (8)
13 Escort with cane opened gate (10)
15 Bates (nee Cook), a missing person (8)
16 Actor is unravelling key to puzzle (8)
17 Banker in the right kind of film (8)
19 Always mounted Jolson's show (6)
20 Strip one in a string undergarment (6)
21 Hit on leaving Elton in bed (6)

Solution to Puzzle No.7,279



WORLD STOCK MARKETS

AUSTRIA — [illegible]

BELGIUM/LUXEMBOURG — [illegible]

DENMARK — [illegible]

FINLAND — [illegible]

FRANCE — [illegible]

FRANCE (continued) — [illegible]

GERMANY — [illegible]

GERMANY (continued) — [illegible]

ITALY — [illegible]

ITALY (continued) — [illegible]

NETHERLANDS — [illegible]

NORWAY — [illegible]

SPAIN — [illegible]

SWEDEN — [illegible]

SWITZERLAND — [illegible]

SOUTH AFRICA — [illegible]

JAPAN — [illegible]

AUSTRALIA — [illegible]

AUSTRALIA (continued) — [illegible]

HONG KONG — [illegible]

MALAYSIA — [illegible]

SINGAPORE — [illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
Closing prices July 3

[illegible]

MONTREAL
Closing prices July 3

[illegible]

Total Sales 2,960,625 shares.

INDICES

NEW YORK

DOW JONES	July 2	June 29	June 28	June 27	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2899.26	2880.69	2878.71	2862.13	2935.89 (15/6)	2543.24 (30/1)	2935.89 (15/6/90)	41.22 (2/7/32)
Home Bonds	91.09	90.77	90.88	90.79	93.04 (3/1)	88.48 (2/5)	—	—
Transport	1144.16	1144.34	1142.70	1140.88	1212.77 (6/6)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	209.57	210.01	208.63	208.63	236.23 (2/1)	203.09 (30/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2908.66 (2901.98) Low 2869.80 (2865.84)

STANDARD AND POOR'S

	July 2	June 29	June 28	June 27	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	359.54	358.02	357.63	355.14	367.40 (4/6)	322.98 (30/1)	367.40 (4/6/90)	4.40 (1/6/32)
Industrials	422.50	420.52	420.25	416.89	428.34 (4/6)	371.92 (30/1)	428.34 (4/6/90)	3.62 (21/6/32)
Financial	29.00	28.93	28.87	28.68	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	196.22	195.48	195.18	193.87	200.21 (4/6)	178.43 (30/1)	200.21 (4/6/90)	4.46 (25/4/42)
Amex Mkt. Value	360.14	361.21	358.57	357.05	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	462.04	462.28	460.38	456.89	468.86 (13/6)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	June 29	June22	June15	year ago (approx.)
Dow Industrial Div. Yield	3.74	3.77	3.67	3.70
	June 27	Jun 20	June13	year ago (approx.)
S & P Industrial div. yield	2.97	2.93	2.90	3.09
S & P Indl. P/E ratio	16.70	16.87	17.07	12.97

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Gen. Instr.	3,263,000	45⅛	+ 8⅞
Am. T & T	1,971,600	38⅞	+ ⅛
Long Is.Light	1,606,000	20	+ ¼
Kay Jewlry.	1,469,200	14¼	+ 3⅛
Philip Morris	1,268,100	47⅛	+ ⅛
Ferro Corp.	1,032,700	25	- ½
Pac.Gas & El.	1,009,000	23⅛	- ⅛
Gen. Electric	966,800	70½	+ 1¼
Caterpillar	917,400	53	+ ¼
IBM	916,000	118½	+ 1

TRADING ACTIVITY

† Volume Millions	July 2	June 29	June 28
New York	130.200	145.500	136.120
Amex	9.518	13.024	11.619
NASDAQ	114.153	158.811	148.824
Issues Traded	1,981	1,994	1,983
Rises	779	966	906
Falls	739	572	547
Unchanged	463	456	530
New Highs	52	56	63
New Lows	43	47	39

CANADA

TORONTO	July 2	June 29	June 28	June 27	1990 HIGH	1990 LOW
Metals & Minerals	(c)	3208.50	3186.00	3164.60	3453.05 (4/1)	2850.80 (23/4)
Composite	(c)	3544.00	3530.00	3519.30	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	(c)	1833.26	1823.45	1814.81	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable

	July 3	July 2	June 29	June 28	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1512.8	1496.6	1500.7	1494.6	1713.7 (12/1)	1434.5 (30/4)
All Mining (1/1/80)	718.6	711.7	715.5	712.8	860.8 (5/1)	711.7 (2/7)
AUSTRIA						
Credit Aktien (30/12/84)	615.67	605.82	603.80	609.22	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/88)	6281.62	6286.20	6263.04	6251.49	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	378.10	376.55	377.14	378.15	382.50 (15/6)	352.96 (25/4)
FINLAND						
Unitas General (1975)	539.0	540.9	546.8	549.3	677.3 (23/1)	539.0 (3/7)
FRANCE						
CAC General (31/12/82)	543.99	542.08	545.08	543.68	564.62 (30/5)	482.94 (26/2)
CAC 40 (31/12/87)	2031.98	2029.54	2035.83	2038.41	2129.32 (20/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	807.32	805.18	795.64	806.71	830.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2330.30	2325.6	2297.3	2329.8	2414.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1906.23	1915.30	1879.90	1895.17	1968.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3356.55	3319.47	3278.24	3273.28	3356.55 (3/7)	2738.24 (1/2)
‡IRELAND						
ISEQ Overall (4/1/88)	1687.73	1689.17	1689.11	1686.40	1893.10 (22/1)	1582.61 (2/5)
ITALY						
Banca Com. Ital. (1972)	741.38	745.11	753.76	752.19	763.52 (14/6)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	32414.60	32160.23	31940.24	32106.19	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2349.48	2348.70	2343.36	2350.40	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	4203.67	4189.90	4200.81	4178.62	4284.68 (9/2)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	(c)	(c)	584.65	586.59	622.20 (20/2)	518.53 (2/5)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	266.3	266.1	266.5	266.7	269.0 (3/1)	240.1 (26/2)
CBS All Shr (End 1983)	198.3	198.2	198.5	198.9	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (Ind) (2/1/83)	824.00	823.94	825.62	822.74	859.05 (5/6)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	852.45	870.17	882.98	895.41	1160.70 (21/3)	740.31 (6/6)
SINGAPORE						
SES All-Singapore (2/4/75)	(c)	432.28	434.20	437.78	443.34 (6/2)	401.34 (30/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1574.8‡	1581.0	1522.0	1500.0	2230.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	2973.0‡	2966.0	2963.0	2955.0	3211.0 (6/2)	2794.0 (25/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	745.04	713.18	720.00	732.64	928.82 (4/1)	688.66 (30/4)
SPAIN						
Madrid SE (30/12/85)	298.68	297.25	295.80	295.15	302.85 (4/1)	248.17 (2/4)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1320.8	1309.0	1309.7	1302.6	1320.8 (3/7)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	837.3	829.1	830.0	823.3	837.3 (3/7)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	4905.87	(c)	5157.45	(c)	12495.34 (10/2)	4905.87 (3/7)
THAILAND						
Bangkok SET (30/4/75)	1087.53	1082.67	1060.22	1057.06	1087.53 (3/7)	760.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	523.0	520.4	518.5	571.8 (4/1)	468.3 (2/4)

**Saturday June 30: Taiwan Weighted Price: 5049.58. Korea Comp Ex. 706.79

‡ Subject to official recalculation.

April 6 Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday July 3 1990

	Stocks Traded	Closing Prices	Change on day
Citizen	13.8m	1,180	+50
Honshu Paper	12.4m	2,900	+100
Chiyoda Corp	9.5m	2,890	+50
Tokyo Steel	8.9m	4,780	+80
Nippon Steel	8.8m	560	-15
Sekisui Chem	7.9m	1,580	+10
Shin-etsu Chem	6.5m	1,880	+40
Kyocera	4.5m	8,080	+180
Asahi Organic	4.4m	1,520	+60
Daikin Industries	4.3m	2,030	+20

4pm prices July 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
37½	19	AAR	.48	2.1	15	85	23⅝	23¼	23¼	−⅜
9¾	8	ACM n	1.01	12.		412	8⅞	8⅝	8¾	
11⅝	9⅞	ACMIn	1.26	12.		648	10¼	10⅛	10⅛	−⅛
9¾	7¼	ACM M	n1.01	13.		454	8¼	8	8	
12⅛	10	ACMMM				113	11	10¾	11	+⅛
11½	9⅞	ACM Sc	1.26	13.		808	10⅛	10	10	
9⅜	8⅜	ACMSp	1.01	12.		667	8⅜	8¼	8¼	
24⅝	14⅞	AL Lab	.16	.7	21	41	23¼	23	23¼	+⅛
5¾	2¼	AM Intl				304	2½	2⅜	2½	
23¾	10¾	AM In pf	2	16.		15	12¼	12⅛	12¼	
107¼	52½	AMR			12	1492	64¼	63	63	−1⅛
4¾	3	ARX				22	3½	3½	3½	−⅛
72¼	40½	ASA	3a	6.5		1123	46¼	45½	46⅜	+¾
42⅛	28⅞	AbtLab s	.84	2.0	21	5311	41⅞	41	41¾	+¾
15½	11¼	AbitibI g	.60			303	13½	13½	13½	+⅛
12⅛	8	AcmeC	.40	5.0	9	162	8¼	d 7⅞	8	−⅛
9¾	7⅝	AcmeE	.32	3.8	10	7	8½	8¼	8½	+¼
41⅞	28⅞	Acuan			24	989	41½	40¾	41⅜	+⅞
16½	13¾	AdaEx	2.06e	13.		187	16¼	16	16⅛	
15⅝	10	Adobe				44	11½	11⅜	11⅜	
20¼	18	Adob pf	1.84	9.4		1	19½	19½	19½	
21⅝	20⅛	Adob pf	2.40	12.		4	20¾	20⅝	20¾	+⅛
11⅞	6⅞	AMD			20	2017	9¾	9½	9½	−¼
33¾	28¼	AMD pf	3	9.6		18	31⅜	31⅛	31⅛	−⅜
10⅛	3¼	Advest	.16	3.8	53	57	4⅜	4¼	4¼	−⅛
62½	45¼	AetnLf	2.76	5.3	9	690	52⅜	52	52⅛	−⅝
13⅞	9¾	AffPb	.24	2.3		345	10¾	10½	10½	−⅜
25	16⅛	Ahmans	.88	4.2	10	2406	21¼	21	21	+¼
3⅝	1⅞	Aileen				5	2⅜	2⅜	2⅜	
58	40	AirPrd	1.44	2.5	16	347	58⅞	58⅛	58¾	+½
24¼	14	AirFrt s			15	288	23⅛	22¾	23	+½
26¼	15½	Airgas			31	161	19⅞	19⅝	19¾	+⅛
20¾	16½	Airlease	2.52	14.	9	48	18⅛	17¾	17¾	−¼
10¼	9⅛	AlaP dpf	.87	9.3		14	9½	9⅜	9⅜	
103½	86	AlaP pf	9.44	9.6		z100	98½	98½	98½	+¾
91	84	AlaP pf	8.28	9.6		z80	86½	86½	86½	+¾
30½	19¼	AlskAir	.20	.9	11	200	22⅜	22½	22⅝	+⅛
23½	15½	Albnyln	.35	2.2	11	265	16¼	16	16¼	+¼
27¼	20	Alberto s	.20	.8	22	139	26⅜	25¾	26⅜	+⅜
20¾	15¾	AlCulA s	.20	1.0	16	331	19½	18¾	19½	+⅞
36½	28½	Albtsn s	.48	1.3	24	1070	36¾	35⅝	36	
25⅝	18⅞	Alcan	1.12	4.9	7	1946	23	22½	23	+½
35⅝	28⅛	AlcoStd	.84	2.4	13	248	35½	35¼	35¼	+⅛
34	23¾	AlexAlx	1	4.1	19	228	24⅜	24	24⅛	−¼
64⅝	39	Alexdr				58	39½	d38½	39⅜	−⅜
101⅞	81¾	AllegCp	1.72t	2.0	10	29	88	87½	87½	−½
1¼	7-32	vjAlgInt				447	⅜	¼	¼	−1-16
5¾	7-16	vjAll pfC				10	1¼	1¼	1¼	+⅛
32¾	21½	AlgLud s			9	219	32	30⅞	31⅛	−⅜
42½	36¾	AllgPw	3.16	8.3	10	284	38½	38⅛	38⅛	
17⅞	9	AllenG			21	375	u17⅞	17⅛	17¾	+⅝
20½	11½	Allen pf	1.75	9.0		20	19⅞	19½	19½	−¼
25½	12¾	Alrgn n	.19e	1.0		963	19	18¾	18⅞	
17⅜	12⅞	AlnCap	1.65e	11.	17	68	15½	15⅜	15½	+¼
17	13¾	AllGlE n				251	14⅛	14	14	−⅛
12¼	9	AllNEu n				582	10⅝	10¼	10½	+⅛
25⅜	21¼	Allsh pf	2.28	9.9		106	22½	22¼	22½	+⅛
19⅞	4⅝	AlldPd			10	42	7⅞	7½	7⅞	+⅛
40¾	31⅞	AldSgnl	1.80	4.9	10	1304	36⅝	36⅜	36½	+⅛

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	14	REIT	1.42	9.5	12	31	15	14¾	15	+⅛
16⅛	13⅝	RltRef	1.72	12.	8	8	14⅛	13⅞	14⅛	+⅛
12⅞	4⅞	RochEq				219	6⅛	5¾	5¾	−⅛
20	12⅞	Reebok	.30	1.7	12	1597	18⅛	17⅞	18	+⅛
12⅞	7⅛	Reece	.05j			2	7⅞	7⅞	7⅞	
½	5-32	Regal				255	⅜	11-32	⅜	+1-16
16⅞	10	ReichTg	1.62	14.	6	15	10⅝	10½	10½	+⅛
25⅞	17⅞	Repsol	n.84e	3.3		814	25⅞	25⅛	25⅞	+⅛
5⅞	3⅞	RepGyp	.19t	4.9	30	24	3⅞	3¾	3⅞	+⅛
52⅞	42½	RepNY	1.32	2.7	8	49	48¾	48½	48¾	+⅛
11⅞	1¾	Rexene				22	2⅞	2⅝	2⅝	
27⅛	18¾	RayRey	.80	3.9	9	102	20⅞	19⅞	20¾	+1
60⅛	45½	RayMt	1.80	3.0	7	3390	59⅝	59	59¼	+⅛
19	14⅞	RhP pfA				3	18	17⅞	17⅞	
3½	1⅞	RhoP wt				108	2⅛	2⅝	2⅝	
22	19½	RhoPl n				219	20	19½	19½	−½
41⅛	29½	RiteAid	.90	2.6	14	3479	35⅛	34⅞	34⅞	−⅛
11-32	3-64	RvrOak				162	5-64	1-16	1-16	
19¼	14½	RobHit			13	77	15⅝	15½	15½	
14⅞	9⅞	Robtsn			27	99	11	10⅝	11	+⅛
22⅛	17½	RochG	1.56	8.3	10	345	19⅛	18⅞	18⅞	−⅛
45⅞	29⅞	RochTl	s1.46	4.5	17	163	32½	32¼	32½	+⅜
22⅛	17⅞	RokCtr	1.88	10.	16	605	18	17⅞	18	+⅛
28⅞	19¾	Rockwl	.78	2.8	11	2106	27⅞	27½	27⅝	
7⅞	5⅞	RodRen				17	6⅝	6⅝	6⅝	
37½	26⅞	RoHaas	1.20	3.6	13	159	34⅝	34⅛	34⅛	−⅛
33⅞	15½	Robr			295	247	24⅛	23⅝	23⅝	−⅞

12 Month High	Low	Stock	Div.	Yld.	P/E
35	9⅛	StorTc n			21
35⅞	19⅞	Stratus			18
30⅞	19½	StrldRt	.40	1.4	15
36	23	StormR	1	3.8	10
9⅞	5	SuavSh			42
10½	7⅞	SunDis	n1.10	12.	
4½	3	SunDisB			
24⅞	13⅛	SunEl			
13⅞	10⅛	SunEng	1.35e	12.	35
49⅛	35⅛	SunCo	1.80	4.8	69
41⅞	29	Sunst s	1.10	3.1	11
4⅞	2⅞	SunMn			
9⅞	8⅞	SunM pf	1.19	14.	
26⅞	19⅞	SunTrst	.84	4.2	8
21⅞	15⅞	SuprFd	s.32	1.6	15
30⅛	23⅞	SupValu	.65	2.4	14
25⅞	14⅞	SupInd	s.28b	1.1	14
17½	9⅞	SwHelv			
24⅞	6⅞	SybiTc			20
14	9⅞	SymsCp			9
19½	14	Synovs	.28	2.1	17
59½	40	Syntex	1.60	2.7	21
35½	23⅞	Sysco s	.20	.6	25
25⅞	16½	SystCt			16
		−T−T−T−			
20	15⅞	TCBY	.12	.7	16
17⅞	8⅞	TCF Fn	.40	4.4	7

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		−X−Y−Z−								
68½	45⅞	Xerox	3	6.5	8	1780	46⅞	46¼	46⅞	+⅛
34	21⅞	XTRA	.48a	2.1		122	23⅝	23⅛	23⅛	−½
4⅞	1½	Zapata				268	1⅞	1⅝	1⅞	+⅛
12	5½	Zemex				29	5½	5½	5½	
7-16	⅛	Zemex rt				4	⅛	⅛	⅛	−1-16
19	7⅞	ZenithE				788	8⅝	8⅛	8⅛	−⅛
21½	13½	ZenNtl	.88	5.9	9	114	15⅛	15	15	−⅛
9⅞	5⅞	Zenix	.90	15.		512	6⅛	5⅞	6	
18½	12⅞	Zero s	.40	2.7	14	585	15	14⅞	14⅞	+⅜
49⅛	34⅝	Zurnin	.76	1.5	22	697	u50⅛	49	49⅞	+⅛
12⅞	10⅝	Zweig	1.21e	11.		191	11½	11⅜	11½	+⅛
10	9	ZweigTl	.96	11.		909	9⅞	9⅛	9⅛	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices July 3

NASDAQ NATIONAL MARKET

5pm prices July 3

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
Woloha	.28b	10	29	18½	18	18	
WwExp			675	7⅝	7⅞	7½	+⅛
Wolv wt			167	3⅝	3⅛	3⅝	+⅛
Worthg	.60	17	340	24⅞	24	24	−½
Wyman	.80		405	13⅞	13⅛	13⅞	+⅞
			−X−Y−Z−				
XL Dta		9	365	15⅛	14½	15⅛	+½
XOMA			2546	22⅞	22¼	22½	
Xicor			247	3⅛	3	3	−⅛
YanEnS	1.62e	11	422	19½	19	19⅛	−⅞
YelowF	.75	48	1556	27⅛	27	27	−⅛
YorkRs		22	323	15⅛	14⅞	14⅞	−⅞
ZionUt	1.44	10	11	29	29	29	+⅞

FINANCIAL TIMES
Wednesday July 4 1990

AMERICA

Demand from institutions pushes Dow above 2,900

Wall Street

THE COMBINED forces of buy programmes related to stock-index arbitrage, and buying by institutions helped push equities higher yesterday in moderately active trading ahead of *the Independence Day holiday, writes Karen Zagor in New York.*

The Dow Jones Industrial Average crept above 2,900 for the first time since June 21, and closed up 12.37 points at 2,911.63.

On Monday, the Dow added 18.57 to close at 2,899.26.

Volume on the New York Stock Exchange was moderate, with 131m shares changing hands. Advancing issues led those declining by 825 to 647.

Institutional investors turned their attention to blue chip issues yesterday. Consequently, a number of blue chip stocks posted gains yesterday. Merck added $⅝ to $87⅝, Philip Morris gained $⅞ to $47⅞, Boeing improved $⅛ to $59⅞ and Woolworth's rose $1⅛ to $34¼.

Among featured stocks, Kay Jewelers, which has received a takeover bid worth $17-a-share from Ratners of the UK, fell $⅝ to $13⅞ in heavy trading.

The stock price was hurt by *reports that the company's* "junk" bond holders might block Ratners' stock-swap offer.

Greenman Brothers, which has agreed to sell its Circus World toy retailing business to Melville, jumped $1⅞ to $7⅛. Melville gained $⅜ to $53. A number of toy company issues moved higher yesterday, including Mattel, which gained $⅝ to $22¼ after the company said it expects second quarter sales to grow 16 per cent to $315m.

In addition, Hasbro added $⅛ to $18 and Tonka rose $¼ to $6⅝.

News Corp rose $⅝ to $19¼ after chairman Mr Rupert Murdoch said it expected Sky Television to break even by the end of next year or beginning of 1992, after large operating losses in 1990.

Dallas Semiconductor fell $⅝ to $7⅛ after Shearson Lehman downgraded its short-term investment rating of the shares on Monday and reduced its 1990 earnings forecast from 59 to 55 cents.

General Instrument, which added more than $8 on Monday after accepting a takeover bid of $44.50 a share from Forstmann Little, rose $⅛ to $45⅝ in active 73 trading.

Secondary issues moved lower amid worries about profits in the technology sector. Mentor Graphics plunged $4⅜ to $17⅝ after the company said it expected second quarter results to fall below analysts' expectations.

Alliant Computer, which similarly projected lower-than-expected results, fell 1\frac{1}{16}$ to 6\frac{1}{16}$.

Foremost fell $4⅛ to $25⅝ after failing to find a purchaser for the company. In late June, FAI Insurances backed out of a non-binding $32 a share bid.

Canada

A STRONG showing by gold stocks helped the Toronto market close higher in slow trading.

The composite index rose 15.97 to 3,559.90 as gainers led losers 275 to 263. Volume of 18,4m shares worth C$190.8m was off from Friday's 20,663,000 shares valued at C$241.2m. The market was closed yesterday for the Canada Day holiday.

Gold issues rose 1.74 per cent as gold in New York was up C$3.50 to C$361.75. Also posting gains of 1 per cent were transportation issues, mining stocks and industrial products shares. Energy stocks, consumer products shares and financial services issues traded flat.

Difficulties expected after unexciting week

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1990	Start of 1990	Start of 1990
Austria	+1.34	+4.87	+81.29	+38.51	+30.03	+40.67
Belgium	−0.16	−2.06	−2.26	−6.32	−9.87	−2.48
Denmark	−1.56	−1.09	+7.43	+2.47	−1.66	+6.39
Finland	−2.04	−3.18	−14.48	−1.95	−6.39	+1.28
France	+0.31	−3.26	+13.65	−0.44	−4.85	+2.94
W. Germany	+0.51	+1.71	+27.00	+6.31	−0.19	+7.98
Ireland	−0.30	−0.87	+19.82	+0.60	−3.66	+4.22
Italy	+0.57	−0.56	+10.75	+5.94	+1.57	+9.89
Netherlands	−0.11	−1.04	+0.97	−3.34	−8.89	−1.43
Norway	−0.45	−4.56	+18.10	+14.29	+8.82	+17.72
Spain	+2.43	+4.53	−5.56	−1.94	−3.11	+4.82
Sweden	+1.96	+4.62	+23.36	+14.05	+8.21	+17.07
Switzerland	+0.33	−0.04	+10.11	+2.55	+3.28	+11.46
UK	−0.11	+0.44	+6.83	−2.29	−2.29	+5.70
EUROPE	+0.24	+0.12	+10.53	+0.69	−2.00	+6.02
Australia	−0.56	−0.03	+2.56	−6.73	−13.59	−6.51
Hong Kong	+1.01	+3.73	+43.88	+15.52	+7.01	+15.78
Japan	−0.15	−4.62	−9.03	−21.01	−31.04	−25.40
Malaysia	+0.21	−1.82	+26.18	+0.78	−7.24	+0.35
New Zealand	−1.61	−1.86	−4.39	−9.12	−16.72	−9.90
Singapore	−2.64	−3.22	+17.02	+9.49	+4.51	+13.06
Canada	+0.75	−1.48	−4.06	−9.01	−16.47	−9.63
USA	+0.58	−1.42	+10.96	+1.14	−6.52	+1.14
Mexico	−3.34	−8.18	+118.56	+62.03	+40.79	+52.32
South Africa	+5.89	−4.06	+17.78	+2.74	−16.80	−9.99
WORLD INDEX	+0.25	−2.14	+2.90	−8.13	−15.93	−9.05

† Based on June 29th 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities Ltd

By William Cochrane

CAUTION seemed to be the keyword at the end of last week. Goldman Sachs looked ahead to what it thinks could be a difficult couple of months for global equities, and the FT-Actuaries World Index finished June with a rise of 0.25 per cent on the week, and a fall of 2.1 per cent over the month.

By and large, performance *was relatively unexciting.* However, FG Inversiones Bursatiles, the Spanish stockbrokers, says it was surprised by its domestic market; it led the Continent with a relatively modest rise.

Spain was building on a good month. The country's economic performance has helped: on June 12, it announced an unchanged consumer price index for May, reducing the annualised inflation rate. FG notes that net purchases by international investors were Pta12.4bn in May, more than twice the monthly average for January to April.

Meanwhile, Sweden lightened the Nordic gloom. After an unhappy first quarter, on what were seen as the country's increasingly intractable economic problems, Stockholm fought back in April to June.

The economy seems to be improving. Turnover tax is to be abolished on share deals, and a feature last week was the way secondary issues seemed to be catching up with blue chips.

This low key performance is enhanced by comparison with Finland, where the domestic *financial community is worry*ing about how to break the vicious circle of share price decline. Economic performance has been poor, and foreign investors have lost interest in the market. The hope is that signs of economic improvement, plus liberalisation of regulations for foreign ownership of Finnish shares, may soon make the difference.

In the Pacific Basin, Hoare Govett says that Hong Kong's performance last week, topping off a strong year since the aftermath of the June 4, 1989, atrocities in Peking, was founded on the release of a famous Chinese dissident, Professor Fang Lizhi, and some positive trade statistics.

Singapore, on the other hand, was unable to build on the boost it got from news that the Government was raising the banks' foreign sharehold*ing limit from 20 to 40 per cent.* Originally this did a lot for bank shares, but then it became clear that Malaysian-owned holdings would be moved from the domestic to the foreign category; this left less room for manoeuvre in the banking sector, and the market subsided.

In the Americas, Mexico seemed to run into a brick wall. Uncertainty about the Telmex privatisation and about banking shares, and profit-taking after a long, long run-up took the equity market off the top. However, Ms Gillian Graham of Latin American Securities in London thinks that it can swing back, with specific fears resolved and interest rates continuing to fall.

South Africa, which plunged in early to mid-June as bullion fell to four-year lows, picked up again last week as gold shares were supported by a firmer bullion price and sharp losses in the financial rand.

ASIA PACIFIC

Arbitrage activity helps to give Nikkei a lift

Tokyo

ARBITRAGE activity and a round of buying in special incentive stocks gave share prices a boost yesterday, but *interest rate concerns contin*ued to worry the market and trading was thin, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average closed with a gain of 254.37 to the day's high of 32,414.60. The low for the day was safely above the 32,000 mark at 32,133.95. Volume, however, *failed to* breach the 500m level, although it rose to 450m shares against Monday's 380m.

Advances outnumbered declines by 547 to 383, while 192 issues were unchanged. The Topix index of all listed stocks edged up 0.78 to 2,349.48 *and, in London trading,* the ISE/Nikkei 50 index added 0.87 to 1,758.77.

In the morning the yen's strength triggered interest in domestic demand-related issues, and arbitrage buying also gave the Nikkei strong support. Towards midday, the unwinding of arbitrage positions reversed the earlier gains, before a further round of arbitrage buying, coupled with selective buying in special incentive issues, took share prices higher by the close.

Buying interest was scattered. The domestic demand-led issues such as housing stocks, which were bought in earlier trading, mostly lost their shine by the end of the day but a few remained higher. Daiwa House closed Y10 up at Y2,600, after rising to Y2,640 earlier. Nonferrous metals also advanced, with Sumitomo Metal Mining up Y90 to Y1,480.

The forthcoming Houston summit of the Group of Seven industrial nations, which will consider environmental issues, stimulated interest in this theme, which has been neglected recently. Chiyoda, a plant engineering company with advanced technology in environmental protection, added Y50 to Y2,690. It was third in volume with 9.5m shares traded.

Speculative issues also gained. Honshu Paper, the target of a speculative group, rose to a record high of Y2,930 before closing at Y2,900, up Y100. It was second in volume with 12.4m shares.

Citizen, the watchmaker expected to post record pre-tax profits for the year to March 1991, topped the actives list with 13.6m shares and advanced Y50 to a high for the year of Y1,180.

High-technology issues drew buying in Osaka, where the OSE average gained 277.43 to 35,714.48. Turnover fell to 52m *shares from 53m on Monday.*

Roundup

POST-CRASH and record peaks were achieved in Hong Kong and Thailand respectively, while South Korea rebounded by 4.5 per cent yesterday. *Singapore was closed for a holiday.*

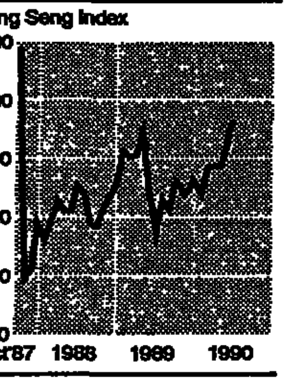
HONG KONG advanced 1.1 per cent to a second successive post-1987 crash peak, although profit-taking tipped share prices off their day's highs. The Hang Seng index ended 37.08 higher at 3,356.55 after hitting 3,362.77 at midday. The *index has risen 14.5 per cent in* just over six weeks.

Turnover was heavy at HK$2.16bn, up from Monday's HK$2bn, with foreign and local investors active.

Laggards continued to catch up, with Hongkong & Shanghai

Hong Kong

Hang Seng Index



Banking up 15 cents at HK$6.10 and Hongkong Land Holdings rising 25 cents to HK$8.60.

SEOUL jumped 4.5 per cent on encouraging economic and *political news. The composite* index rose 31.86 to 745.04 in moderate trading worth Won111.9bn, up from Won93.5bn. By Monday's close, the market had fallen 12.4 per cent since June 4.

The announcement of a trade surplus in June after five months of deficits, news that President Roh Tae Woo is to visit the Soviet Union and China, and progress at talks between South and North Korea helped shares to rally. *The market stabilisation fund* set up in May also bought heavily, boosting prices.

BANGKOK reached another high in record volume, but profit-taking trimmed gains. The SET index gained 4.86 to 1,087.53 with a record 75.5m shares changing hands. Banks continued to *advance on for*eign demand, with many rising by the 10 per cent limit.

AUSTRALIA was lifted by several buy programmes, with the All Ordinaries index adding 16.2 to 1,512.8. Among the big winners, News Corp gained 45 cents to A$11.90, on *expectations of improved earn*ings at some of its television businesses.

Barrack Mines, which has been given 17 days to solve its debt problems, fell 7 cents to 25 cents in the second biggest volume of the day of 4.19m shares.

Overall turnover was 88m shares worth A$211m, up from 66m and A$118m.

MANILA fell after the acquittal on Monday in the US of former First Lady Imelda Marcos on racketeering charges. Volume was thin. The composite index lost 17.72, or 2 per cent, to 852.45.

TAIWAN continued its decline after Monday's closure, with the weighted index falling 143.71, or 2.9 per cent, to 4,905.87. Large banks were among the main losers, with the *sector's index falling 4.6* per cent. Turnover shrank to T$32.9bn from T$33.3bn.

NEW ZEALAND saw heavy trading in Robt Jones Investments, following the company's roadshow in the US. Market turnover rose from Monday's NZ$12m to NZ$63m, *including NZ$45m worth of* Robt Jones shares, which eased 1 cent to 99 cents. The Barclays index rose 5.65 to 1,779.15.

BOMBAY rose to another record as it reopened after a three-day weekend. The BSE index added 12.38 to 862.88.

EUROPE

Fine tuning is order of day as bourses wait on events

FINE TUNING, rather than vigorous action, seemed to be *the order of the day in bourses* yesterday, as most markets appeared to be waiting on events, *writes Our Markets Staff.*

FRANKFURT, figuratively speaking, sat back after monetary union and its patriotic, 1.9 per cent rise on Monday. After *a 2.14-point rise to 807.32 in the* FAZ index at midsession, profit-taking came in and the DAX closed 9.07 lower at 1,906.23.

Mr Werner Wanke, head of securities at B Metzler in Frankfurt, observed that the decline, like Monday's rise, was driven by domestic institutions and traders. "We have come back to earth after a rally of over 100 points," he said. Volume stayed in the middle ground, at DM7.4bn.

There were risers at sector level where constructions and retailers, seen as beneficiaries of German reunification, mostly improved, and chemicals and banks were mostly weaker. Modest profit-taking lowered the front-line blue chips, Siemens most noticeably with a DM5.80 fall to DM762.70.

Individual situations included Sudzücker, recommended as an asset play and DM85 higher at DM1,010, and Munich Re, DM100 higher at DM2,400. This last was after another German insurer, AMB – suspended yesterday – said that a rights issue at DM1,630, nearly double Monday's market price of DM885, reflected its underlying asset value and the price that its Italian partner, La Fondiaria, was willing to pay to get a stake of up to 5.8 per cent in AMB's equity.

MILAN was not kind to insurance stocks, or equities in general. Fondiaria slid L1,090 *to L58,900 after a fall of L500 on* Monday and RAS dropped L550 to L25,850. Volume stayed thin, and this made it easier for traders to go short; Fiat continued its slide on prospects of a weaker 1990, down L110 at L9,790 in late trading.

The Comit index fell 3.74 to *741.38. Traders linked the hia*tus in what has been a strong market recently to the negotiations between Italy's industrial employers' association, Confindustria, and leading labour unions in the Government's effort to head off a general strike called for July 11.

STOCKHOLM hit a year's high, but trading was thin. The Affärsvärlden General index gained 11.8, or 0.9 per cent, to 1,320.8 in turnover of SKr231m.

Ericsson free Bs continued to rise, adding SKr25 to SKr1,400. The Oslo bourse announced that NFT Ericsson Communications, which is jointly owned by a unit of the Swedish group and a Norwegian state-owned company, had won a big contract with Televerket, Norway's state telecoms company.

Saab-Scania fell SKr10 to SKr285 as speculation faded that Mr Peter Wallenberg, the Swedish industrialist, would bid for the company.

PARIS lost most of its modest early gains to finish little changed in quiet trading, tracking a *similar movement* in the domestic bond market. The CAC 40 index ended 2.44 up at 2,031.98, after reaching a day's high of 2,046.19.

Peugeot dropped FFr32, or 4 per cent, to FFr777 in the day's biggest volume of 274,850 shares, after an Insee report said that demand for French cars had fallen in the last quarter. Perrier lost another FFr33 to FFr1,504 on profit worries. Esso France, which had *strengthened on Monday on* hopes of a profitable property sale, fell FFr20 to FFr819.

The day's best improvement was by SGE, the building group, which jumped FFr22.80 to FFr255 with only 30,300 shares traded, after a research company's buy recommendation. Club Mediterranée rose FFr14 to FFr644 before reporting slightly lower first-half net profits after the close.

AMSTERDAM was steady as Philips recovered some of Monday's fall. It rose 80 cents to Fl 31.50, after falling Fl 2.40 on Monday's warning of a loss this year. The CBS tendency index was unchanged for a third session at 121.5.

ZURICH improved in line with a firming Swiss franc, which raised hopes of easier domestic interest rates, the Crédit Suisse index closing 1.8 higher at 670.8. Sandoz bearers rose SFr525 to SFr12,400 after a recommendation from Kleinwort Benson.

MADRID edged nearer to the 300 level on the general index on good demand for banking and building stocks. The index gained 1.43 to 298.68.

SHARES IN Bank IG, the leading private bank in Poland, rose 67 per cent above their issue price on their first day of trading on the Polish secondary market, which began operations on Friday, writes Jacqueline Moore. Only 14 shares were exchanged, out of *the total issue of 15,000,* at an average price of 1m zlotys ($107), up 400,000 zlotys from the issue price of 600,000 zlotys.

The secondary market, which is run by Bank IG, will trade once a week. The bank is planning a 10-for-one split in its own shares, according to Mr Jerzy Kaminski of First Europe Equity & Bond Company of London, which is advising Bank IG. Other issues are expected to be traded soon, including Universal, the international trading company which is currently being privatised. Universal would be traded by September at the latest, said Mr Kaminski.

SOUTH AFRICA

GOLD STOCKS eased in Johannesburg, but finished off their lows as the bullion price rose above $360 an ounce. Trading overall, however, was cautious and quiet. The JSE Gold index slipped 7 to 1,574.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JULY 3 1990								MONDAY JULY 2 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (80)	143.20	+1.1	119.30	136.82	122.91	119.48	+1.1	5.82	141.62	119.06	135.40	122.08	118.21	158.31	125.85	132.00
Austria (19)	260.56	+0.9	217.09	248.96	223.66	223.86	+0.8	1.29	258.28	217.13	246.94	222.64	222.18	285.63	193.15	122.81
Belgium (61)	152.67	+0.3	127.20	145.86	131.04	127.82	+0.0	4.53	152.22	127.97	145.52	131.21	127.82	160.02	132.11	129.72
Canada (119)	138.55	+0.3	115.44	132.37	118.92	116.63	+0.4	3.48	138.11	116.11	132.04	119.04	116.16	153.61	130.37	140.62
Denmark (33)	260.71	+0.7	217.21	249.10	223.78	223.04	+0.5	1.30	258.99	217.73	247.62	223.24	221.91	281.19	236.69	202.56
Finland (26)	135.41	+0.0	112.82	129.38	116.23	110.28	−0.2	2.48	135.38	113.82	129.44	116.70	110.45	152.29	129.99	140.56
France (124)	161.65	+0.4	134.68	154.44	138.74	140.54	+0.0	2.91	161.08	135.42	154.00	138.84	140.55	168.85	141.69	121.37
West Germany (92)	136.90	+0.7	114.06	130.81	117.50	117.50	+0.3	1.91	135.93	114.28	129.98	117.17	117.17	137.71	122.05	92.06
Hong Kong (48)	139.16	+1.1	115.94	132.96	119.45	139.11	+1.1	4.51	137.59	115.67	131.55	118.61	137.55	139.16	112.24	96.25
Ireland (17)	190.43	−0.2	158.66	181.94	163.45	165.43	−0.4	2.65	190.87	160.46	182.48	164.52	166.01	198.57	172.72	135.23
Italy (96)	107.10	−0.1	89.23	102.32	91.93	96.82	−0.6	2.43	107.17	90.10	102.46	92.38	97.41	109.26	91.85	85.85
Japan (454)	148.72	+0.0	123.91	142.10	127.67	142.10	+0.0	0.59	148.66	124.98	142.13	128.16	142.13	197.26	124.40	175.36
Malaysia (35)	230.65	+0.2	192.17	220.37	197.98	240.43	+0.2	2.25	230.24	193.56	220.11	198.46	239.90	245.32	204.15	181.76
Mexico (13)	500.24	−0.3	416.78	477.95	429.38	1566.16	−0.2	0.33	501.52	421.63	479.49	432.30	1569.60	549.86	324.53	236.90
Netherland (43)	142.84	+0.5	119.01	136.47	122.61	121.16	+0.1	4.65	142.19	119.54	135.95	122.57	121.04	145.66	130.43	120.92
New Zealand (17)	65.61	+0.2	54.67	62.69	56.32	58.95	+0.1	7.52	65.48	55.05	62.61	56.45	58.87	75.36	59.57	65.64
Norway (23)	236.11	−0.1	196.71	225.59	202.67	203.74	−0.2	1.46	236.29	198.65	225.91	203.68	204.14	245.90	202.34	181.17
Singapore (25)	200.35	+0.1	166.93	191.43	171.97	169.15	+0.0	2.00	200.25	168.35	191.45	172.61	169.15	207.93	179.70	158.84
South Africa (60)	176.79	+0.4	147.29	168.91	151.74	158.05	+0.0	3.76	176.06	148.01	168.32	151.75	158.05	251.39	170.00	150.28
Spain (42)	174.09	+1.1	145.05	166.34	149.43	133.54	+0.7	4.00	172.17	144.74	164.61	148.41	132.65	174.09	132.84	150.24
Sweden (34)	229.83	+1.3	191.49	219.60	197.28	204.15	+1.3	1.98	226.77	190.65	216.82	195.48	201.60	229.83	173.89	167.33
Switzerland (67)	*107.27*	*+1.4*	*89.37*	*102.50*	*92.09*	*92.64*	*+0.8*	*2.23*	*105.80*	*88.95*	*101.16*	*91.21*	*92.06*	*107.27*	*88.75*	*82.74*
United Kingdom (304)	170.79	+0.8	142.30	163.17	146.59	142.30	−0.1	4.77	169.38	142.40	161.93	145.99	142.40	170.79	139.87	142.71
USA (539)	145.52	+0.2	121.24	139.04	124.91	145.52	+0.2	3.34	145.29	122.14	138.91	125.24	145.29	148.55	130.61	130.18
Europe (981)	153.21	+0.7	127.65	146.39	131.52	129.38	+0.1	3.53	152.16	127.92	145.48	131.16	129.27	153.21	135.57	120.58
Nordic (116)	212.73	+0.9	177.24	203.25	182.60	178.03	+0.7	1.69	210.91	177.31	201.65	181.80	176.72	212.73	185.01	163.59
Pacific Basin (659)	148.03	+0.1	123.33	141.43	127.06	140.81	+0.0	0.92	147.86	124.31	141.37	127.46	140.75	192.75	124.63	170.77
Euro−Pacific (1640)	150.53	+0.4	125.42	143.81	129.20	136.81	+0.1	2.00	150.00	126.11	143.40	129.30	136.73	174.16	130.35	150.79
North America (658)	145.00	+0.2	120.81	138.56	124.48	143.80	+0.2	3.35	144.75	121.70	138.41	124.80	143.35	147.87	131.02	130.71
Europe Ex. UK (677)	141.12	+0.6	117.57	134.86	121.16	121.26	+0.2	2.72	140.28	117.93	134.14	120.94	121.03	141.12	124.81	106.46
Pacific Ex. Japan (205)	138.89	+0.9	115.72	132.72	119.23	122.70	+0.9	5.00	137.59	115.67	131.57	118.61	121.59	139.32	122.53	115.80
World Ex. US (1832)	150.59	+0.4	125.47	143.89	129.27	136.71	+0.1	2.06	150.07	126.16	143.49	129.36	136.62	173.77	131.30	150.48
World Ex. UK (2067)	145.40	+0.2	121.14	138.93	124.82	139.23	+0.1	2.24	145.06	121.97	138.71	125.07	139.06	162.00	130.80	142.19
World Ex. So. Af. (2311)	147.47	+0.3	122.87	140.92	126.60	139.35	+0.1	2.49	147.05	123.63	140.61	126.77	139.21	161.84	131.96	142.18
World Ex. Japan (1917)	148.57	+0.4	123.78	141.96	127.54	138.32	+0.2	3.49	147.96	124.39	141.48	127.56	138.09	148.57	134.62	126.60
The World Index (2371)	147.65	+0.3	123.02	141.08	126.75	139.48	+0.1	2.50	147.23	123.78	140.77	126.92	139.34	162.05	132.25	142.23

Singapore market closed July 3.